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A chronology of response

The evolution of Unemployment Insurance from 1940 to 1980

Canada

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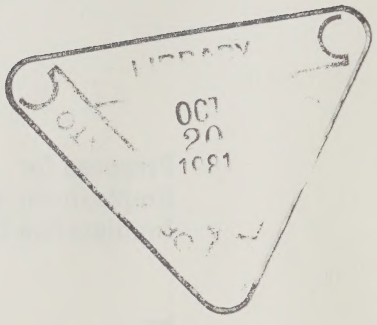
Prepared for
Employment and
Immigration Canada

by
Gary Dingledine



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Foreword

I

The preparation of this study reflects an identified need to trace in depth the evolution of unemployment insurance, an important piece of legislation which affects virtually all workers in Canada. It was undertaken as part of the government's 1980-81 review of the Unemployment Insurance (UI) program and has been published in recognition of its potential interest to those both within and outside the government.

The document was prepared in 1980 by Gary Dingledine, a senior policy and program development officer in Employment and Immigration Canada. In the production of the book, acknowledgement is due many individuals for their extremely valuable advice and assistance. Particular mention is made of Harry Hodder and Sid Gershberg for their substantive and editorial comments, Audrey Lavoie for the many hours she spent reviewing Parliamentary documents as part of the research process, MariGayl Lanctôt for the editing of the English version, Huguette Lavigueur who translated it into French, Raphäel Pilon for the editing of the French version, Jacques Faille for the cover design and finally Mary Burke, Helen Wilson, Josephine McCarthy, Josée Leblanc and Janet Lalonde who typed various drafts of the manuscript.

It should be recognized that in the course of the description a number of observations, assertions and suggestions are made. While these are meant to be useful in making a contribution to the understanding of the program and for future deliberations and discussions, the views expressed are those of the author and should not be attributed to the Minister or to officials of Employment and Immigration Canada.

Introduction II

This study has three purposes: to set out the original philosophy, role and objectives of unemployment insurance, to summarize the first program's design and to highlight its major changes over the years in the context of the Canadian income protection system.

The approach taken is to trace the evolution of UI chronologically with emphasis on factors underlying change. This will include, where appropriate, views expressed by representatives of governments, the private sector and elsewhere. The value of a chronological assessment in this instance lies in the way it imparts a sense of the changing environment within which the UI program has been operating over the last four decades. This gives the reader a perspective on the past which will be useful in determining the state of the current program and how its dilemmas and challenges can be faced in the future.

Material drawn from a variety of sources has been consolidated in the chronology. So as not to burden the text with footnotes, bibliographical notes listing the principal sources from which material for the study was drawn are included toward the end of the book. These are provided in the event that readers may wish to pursue further some of the specific studies mentioned.

In addition, the importance of tracing changes in particular design features such as the entrance requirements and the benefit structure over the years is recognized. For this purpose, a subject index covering the main features and terminology is also included at the end.

A further point to note relates to the many changes in terminology that have occurred. In describing the evolution of various provisions of the program, particulary in the French version, the text generally reflects the terms and expressions applicable at the time.

To return to the beginning, the history of the operation of unemployment insurance in Canada spans some 40 years. These years have been characterized by extraordinarily rapid change in the economy, the labour market and social values. The origin of the program, however, was in advance of this. It is important to explore this briefly before describing unemployment insurance in 1940 and tracing the major developments since then.

Developments between the wars

III

In the 1920s, most Canadians believed that obtaining and retaining employment and providing the basic essentials of life were largely an individual matter. The objective of the Liberal government of 1921 to 1930, under the Right Honourable William Lyon Mackenzie King, was to restore prosperity to post-war Canada. With the financial deficit incurred in World War I, the first social legislation dealt as a matter of priority with those who had served overseas, dependants of those who died in the war and pensions for older people. The Royal Commission on Industrial Relations in 1919 proposed a state program of social insurance for those unemployed through no fault of their own. This principle was endorsed by a parliamentary committee in 1929, but the country's attitude about the unemployed and federal-provincial jurisdictional difficulties slowed progress in developing an unemployment insurance program for Canada.

The economic depression of the 1930s forced a change in the social attitudes of Canadians. With significant numbers of people unemployed, those out of work could no longer be categorized as lazy and of bad character. At the same time, belief in the spiritual advantages of poverty quickly disappeared. The combination of these rapid changes in social attitudes and international factors gave rise to pressure for a wider range of social programs. This was understood to mean that the federal government would have to play a role in supporting or insuring the income of Canadians.

The social reform program of the R. B. Bennett Conservative government included the *Employment and Social Insurance Act*, passed in June 1935. In essence, it was rationalized as a compulsory unemployment insurance plan involving sums paid by employees, employers and the state for the purpose of securing a future benefit.

The preamble to the Act stated it was essential for the peace, order and good government of Canada to establish a National Employment Service, insurance against unemployment, other forms of social insurance (i.e. health insurance), as well as to maintain interprovincial and international trade on equitable terms. The government interpreted this to mean that the legislation drew its constitutional authority from the *British North America Act* (hereafter called the BNA Act).

In the House of Commons, the Opposition, led by Mr. King, supported the principle of an unemployment insurance scheme and a National Employment Service. But it opposed the legislation for a variety of reasons. Chief among these was the view that the BNA Act did not confer on Parliament exclusive constitutional powers to enact legislation in these areas. Other views expressed at the time were that the Act was too limited in its application, inadequate in terms of benefits and too rigid in terms of its restrictions. Difficulties in implementing the scheme across Canada were envisaged because of

irregularities in the labour force, seasonal employment fluctuations, the long distances between workers and public offices and the lack of agreements with the provinces. Finally, it was argued that a scheme to insure the working population against future unemployment did not come to grips with depression-related unemployment.

When Mr. King became Prime Minister again in 1935, he referred his predecessor's statute to the Supreme Court of Canada. In 1936, the Court viewed the matter as *ultra vires* the Dominion government and referred the 1935 Act to the Judicial Committee of the Privy Council in England. There, in 1937, the Committee declared the Act *ultra vires* the BNA Act.

That same year, the government appointed the Rowell-Sirois Commission to re-examine the division of powers between the federal and provincial governments. The Commission's report recommended the adoption of a federal social insurance program to deal with unemployment. The government then sought agreement from the provinces for an amendment to the BNA Act to provide clear and exclusive authority for legislation by the federal government.

The 1940 Act IV

A new session of Parliament opened in May 1940. The throne speech stressed the importance the government would be attaching to industrial stability, justice in peacetime and social security through an amendment to the BNA Act to establish UI on a national scale. By June 1940, agreement had been reached with all provinces and the amendment was made to Section 91 of the BNA Act, effective July 10, 1940. The amendment made unemployment insurance one of the subjects under the exclusive legislative authority of the Parliament of Canada.

The government then introduced the *Unemployment Insurance Act, 1940*. In House of Commons debate, the Honourable N. A. McLarty, Minister of Labour, stated the fundamental purpose of the Bill was to promote the economic and social security of Canadians by supporting workers from the time they leave one job until they get another. It was also stated in the House that UI was to be insurance against unemployment and not health or sickness insurance. UI was seen as a limited measure not purporting to get at the root of unemployment or to prevent it. It was simply to give income protection to those who, having been employed, later lose their employment. The insurance benefit was to be a person's right established by past contributions. It was not to be greater than normal weekly earnings, but the standard of living of the wage earner was to be protected.

There was also discussion of the principles relating to insurance against unemployment. The use of the word "insurance" in the title of the Act was a carefully considered description of the intended nature of the plan. The description of these insurance principles was perhaps best synthesized some years later by the Unemployment Insurance Commission (UIC), the corporate body established to administer the UI Act.

> A plan of insurance must have an actuarial basis. There must be a definition of the risk insured against and the conditions under which indemnity will be paid; the area of insurance must be limited to contingencies, not situations that are certain to occur; there must be some possibility of estimating the rate of occurrence of the contingency; the amount of the indemnity (under unemployment insurance, the rate and duration of payment) must be determined; and the premium or contribution must be calculated which is needed to provide a fund sufficient to meet all probable claims.
>
> For an unemployment insurance plan to be genuine insurance, it follows that (1) the insured person, to have an insurable interest, must be subject to risk of losing something of real value; (2) the actual occurrence of this contingency must be easy of verification and of proof that it falls within the scope of insurance contract.

Under unemployment insurance, as regards (1), the contingency is loss of employment and the earnings therefrom. A person who is not normally in insurable employment to a substantial extent and within a recent period of time has nothing of substantial value to lose and cannot have an insurable interest. As regards (2), there must be a ready means of determining when an insured person is unemployed and whether he meets the minimum conditions for the receipt of benefit.

The above is a brief statement of what is meant by 'insurance principles' as that expression is used in connection with unemployment insurance. A scheme of cash relief for the unemployed which does not adhere to these principles is not insurance.

The discussion of insurance principles, however, was overshadowed by the emphasis on the advantages of the program's effect on current employment and in making post-war social and economic adjustments. The following advantages of the scheme were noted by the government.

- The implementation of UI would increase wartime production because of the greater peace of mind it would give the insured work force.
- It was a particularly opportune time to introduce contributory insurance in 1940 because employment was at its peak. This meant demands for benefits would be low and the fund to finance the program could build up reserves for the future.
- Money accumulating in the fund would be invested in government securities, indirectly helping to finance the war effort.
- The setting up of offices across Canada would have the advantage of generating additional employment.
- The plan was also practical on administrative grounds because it would provide an effective means of registering and selecting people needing help in finding employment.
- The immediate phasing in of the required administrative framework would avoid the possible chaos and financial burden of attempting to do so in a time of post-war crisis.
- In this way, the probable dislocation which would follow the demobilization of troops and cessation of war work could be handled in an orderly fashion.

The Bill was greeted with support from organized labour and others who considered UI an advanced social measure which relieved workers of the fear of want due to temporary layoffs. The Canadian Chamber of Commerce, however, was against proceeding quickly because of the additional financial burden on employers and employees at a time when they were already burdened with war budget taxes.

On August 7, 1940, the Bill was given Royal Assent and Canada became the last western industrialized nation to have unemployment insurance. Beginning in July 1941, Canada's first unemployment insurance scheme was to involve the payment of premiums jointly by insured workers and their employers together with a federal government contribution on a shared basis into a fund. Starting in January

1942, benefits were to be paid to insured workers who showed they were willing and able to work but were temporarily unemployed for reasons beyond their control. The program was to be administered by the Unemployment Insurance Commission (hereafter referred to as the Commission) and the program's administrative costs were to be financed by the government. The 1940 Act also called for the establishment and administration of a National Employment Service as an important and necessary adjunct to the UI program.

Before exploring the provisions of the Act in greater detail under a number of broad headings, two points should be noted. First, the 1940 Act was patterned after the 1935 *Employment and Social Insurance Act* which itself had been modelled on the scheme in force in Great Britain for a number of years. The Canadian scheme, however, was to provide earnings-related benefits as opposed to the flat rate benefits available under the U.K. legislation. Second, it was to be some time before there was a statement of the detailed objectives of the Act. This may have been as a result of the overriding attention paid to the advantages of the scheme.

Coverage

Coverage includes provisions for the types of employment insurable under the program (insurability) and the contingencies included as ones for which benefits are payable under the program (contingency coverage).

A number of rules were used to determine the types of employment insurable under the program. The general premise was that only jobs for which there was a risk of unemployment were appropriate for coverage. In this way, there would be reasonable certainty that insurance principles would apply and that the insurance integrity of the plan would not be weakened. There was also the view that care should be taken to ensure the plan did not attract people from other jobs into insurable employment just to acquire eligibility, thereby distorting the labour force. The practical difficulties of administering the plan were also an important consideration in deciding coverage. The implications of covering a job on the collection of premiums, settlement and administration of claims, the effectiveness of the placement service and the ability to set up adequate control of these operations were all taken into account before insuring a job. No consideration appeared to be given to whether the resulting unemployment might be short or long term.

The effect of these considerations was that, in general, only employment under a contract of service or apprenticeship in the industrial and commercial sectors which agreed with the above criteria was considered insurable employment. The following employments were specifically excluded from coverage.

1. Agriculture, horticulture and forestry
2. Fishing
3. Lumbering and logging, exclusive of wood-processing mills and plants in operation more than 30 weeks in a year

4. Hunting and trapping
5. Transportation by water or by air, and stevedoring
6. Domestic service in a private home
7. Employment in a hospital or charitable institution not carried on for gain
8. Professional nursing for the sick or as a nurse-probationer
9. Teaching, including teachers of music and dancing
10. Service in the armed forces or in a public police force
11. Employment in the government service of Canada for employees appointed under the *Civil Service Act* or certified as permanent
12. Employment in the government service of any province unless the government of the province agreed
13. Employment by any municipal authority if the municipal authority certified that the employment was permanent
14. Employment as an agent paid by commission, fees, or share of profits, if this was not the main means or livelihood and if the employee was not under a contract of service giving the employer control over the manner and time in which the service was to be performed
15. Employment at a rate of remuneration exceeding $2,000 a year
16. Casual employment, other than for the employer's regular business
17. Subsidiary employment, not the main means of livelihood
18. Employment where the employed person was in the service of his or her spouse
19. Employment where no wages were paid and the employee was the child of the employer
20. Employment where wages were paid for playing any game
21. Any employment
    (a) that ordinarily lasted for less than four hours a day, or
    (b) that was ordinarily by more than one employer but less than four hours a day for any one of them, or
    (c) where the employee was only available for insured employment for not more than two days in any week.

The Act also excluded jobs deemed to be inconsiderable in their extent, and required the Commission to provide certificates of exemption from coverage for any employed persons who proved they were either

(a) employed in an occupation which was seasonal and did not ordinarily extend over more than twenty weeks in any year and who were not ordinarily employed in any other insurable employment, or

(b) habitually worked for less than the ordinary working day.

The Commission had the power to make regulations to enlarge or restrict excepted employment where irregularities would otherwise result, to avoid duplication in unemployment insurance coverage between countries and to prescribe the manner and conditions applying to the certificates of exemption.

In its first year of operation 159,441 employers registered with the Commission and 2,465,000 employees (42 per cent of the labour force) became insurable.

The original program paid benefits only in cases where the insured person was unemployed, capable of, and available for work and unable to obtain suitable employment. There were no special provisions to recognize layoff due to illness, injury, quarantine or pregnancy and no provisions for payment of benefits on retirement.

Contributions

As mentioned earlier, the cost of UI benefits was to be shared on a tripartite basis between employees, employers and the government.

Employers and workers were to contribute equally to the plan. For this purpose, seven earnings classes and a special earnings class for those who earned less than 90 cents a day or who were under 16 years of age were created. The weekly rate of contribution was then established for employers and employees in each class. This was designed to result in equal contributions from workers and employers for all classes based on the distribution of covered workers in each of the classes.

Initial rates of contribution

Reference number for class	Earnings class	Weekly rate	
		Employer	Worker
0	While earning less than 90 cents a day or while under 16 years of age	18 cents	9 cents (paid on workers' behalf by the employer)
1	Earning $5.40 but less than $7.50 in a week	21 cents	12 cents
2	Earning $7.50 but less than $9.60 in a week	25 cents	15 cents
3	Earning $9.60 but less than $12.00 in a week	25 cents	18 cents
4	Earning $12.00 but less than $15.00 in a week	25 cents	21 cents
5	Earning $15.00 but less than $20.00 in a week	27 cents	24 cents
6	Earning $20.00 but less than $26.00 in a week	27 cents	30 cents
7	Earning $26.00 but less than $38.50 in a week or $2,000 a year	27 cents	36 cents

Note: The daily rate of contribution equalled one-sixth of the weekly rate.

The base of 90 cents was intended to establish a floor to the schedule which would be low enough not to conflict with minimum wage laws in the provinces nor encourage the creation of a federal minimum wage. It did not allow a person to draw benefits unless more than half the previous contributions were from another class. A similar provision governed persons under 16 years of age: the employer paid both contributions to avoid any incentive to employ persons under 16 years of age.

Provision was also made for converting the weekly rate to a daily rate. This way, a person would not be precluded from drawing benefits for having had only partial employment in any week.

The reasons for the different proportions of contributions between employers and employees and among earnings classes were not made clear. It could have been to provide an added subsidy to employees in classes one to five while recouping it from employees in classes six and seven. It could have been to avoid making UI contributions an issue in wage negotiations. (Wage increases might have had less effect on costs with employer contributions ranging from 21 to 27 cents than if the employer had been required to match the employee's contribution in each class.) The principal disadvantage, however, was that if aggregate contributions were to remain equal, employer and employee contributions would have to be continually adjusted to reflect changes in the distribution of insured persons in the various earnings classes.

Generally, contributions of the employee and employer share were made by employers to the Commission. The Commission in turn issued unemployment insurance stamps. The stamp for each day of insurable employment was then inserted into an insurance book for each insured employee.

Eligibility requirements

To be entitled to benefits, insured workers had to show that

- contributions had been made for them while they were in insurable employment for at least 180 days during the two years immediately preceding the date on which they claimed benefit,
- they had applied for benefit in the prescribed manner and proved that they were unemployed on each day on which they claimed to have been unemployed,
- they were capable and available for work but unable to obtain suitable employment, and
- they either attended or had good reason for not attending any Commission-approved course of instruction or training that they may have been directed to attend by the Commission.

The two-year qualifying period could be extended by the period of time a claimant had been involuntarily out of the labour force because of illness, injury, employment in excepted employment or self-employment, subject to an overall maximum of four years.

In applying the contribution test in the first condition above, the concept of a benefit year was used. This was the twelve-month period beginning when the claimant met the contribution test. After the end of a benefit year, to establish a new claim, a claimant had to have at least 180 daily contributions in the two years before the claim. Sixty of these contributions had to have been made since the last day of benefit in the earlier benefit year.

People were disqualified from benefit if they participated in, financed, or were directly interested in a stoppage of work because of labour dispute. They were also disqualified for not more than six weeks if

- they were fired for misconduct,
- they voluntarily left a job without just cause,
- they refused to accept suitable employment without just cause.

Employment not considered suitable was

(a) an offer of employment arising from a stoppage of work due to a labour dispute,

(b) an offer of employment in the claimant's usual occupation at wages lower, or on conditions less favourable, than those observed by agreement between employers and employees or failing such agreement, than those recognized by good employers, or

(c) an offer of employment in a job other than in the claimant's usual occupation at wages lower or on conditions less favourable than those which the claimant might reasonably have expected. (Consideration was given to the conditions which would normally exist in the usual occupation or would have existed had employment continued.)

After a reasonable period on claim, however, claimants had to accept employment at wages not lower and on conditions not less favourable than those observed by agreement between employees and employers or, failing such agreement, than those recognized by good employers.

The Act gave a claimant whose claim was disallowed the right to appeal to a Court of Referees. The Court of Referees was composed of a chairman appointed by the Governor in Council, a number of members representing employers and an equal number representing employees. Under certain conditions, a further appeal to an Umpire was allowed. The Umpire was chosen from the judges of the Exchequer Court and of the Superior Courts of the provinces.

Benefits

Originally, the amount of benefits paid was about 34 times the employee's average contribution within the previous two years for a claimant without dependants. It was higher—about 40 times the average contribution—for a claimant with dependants. This graduat-

ed system which related the benefit rate to workers' earnings and standard of living was considered more adequate than the flat rate system in Great Britain. The chart shows weekly rates of benefit first provided by the 1940 legislation.

Weekly benefit rates

Earnings class number	Single person	Person with dependant
1	$ 4.08	$ 4.80
2	5.10	6.00
3	6.12	7.20
4	7.14	8.40
5	8.16	9.60
6	10.20	12.00
7	12.24	14.40

Note: The daily rate of benefit was one-sixth the weekly rate.

No benefits were paid for the first nine days of unemployment in a benefit year (the waiting period). The waiting period was based partly on administrative convenience and partly on cost. (Short periods of unemployment each year were regarded as a near certainty for the majority of people in insurable employment. This safeguard was regarded as comparable to the deductible feature in automobile insurance.) In addition, no benefits were payable the first day of unemployment in a week (the non-compensable day). The non-compensable day did not apply if the claimant was unemployed all of that week or the first day of unemployment followed a period of continuous unemployment of not less than a week.

The maximum duration of benefits was one day of benefits for each five daily contributions made in the previous five years, less one day for each three days of benefits received in the previous three years. This formula in the legislation was referred to as the "ratio rule". It permitted the claimant with five years of continuous employment to get one year of benefits. For seasonal workers in particular, it sharply limited benefit duration. For example, workers who averaged 30 weeks of insurable employment per year could receive benefits for all weeks of unemployment in the balance of the year for two successive years. Following this, the ratio rule shortened benefit duration to about 17 weeks in the third year and to about 11 weeks in the fourth year before permitting it to increase to about 14 weeks in the fifth year. The ratio rule was to some extent viewed in the early years of the plan as a way of curtailing benefit payments generally and ensuring that the seasonally unemployed would not, over a number of years, draw out large amounts of benefit, thereby upsetting the actuarial basis of the plan.

Earnings of over $1.00 a day while on claim resulted in denial of benefits because the claimant was not considered as being unemployed for that day.

Financing

The Act stated that UI contributions were to be credited to a special account in the government's Consolidated Revenue Fund called the Unemployment Insurance Fund. The government's contribution to benefits was in the form of a grant of one fifth the aggregate contributions of employers and workers. (Administrative costs were defrayed by annual vote of Parliament.) Only payments of UI benefits or returns of contributions could be made from the Fund. Amounts remaining over and above this were invested in securities and the interest credited to the Fund. Such transactions were authorized by an Investment Committee also created under the Act, and were subject to examination by the Auditor General. If necessary, advances to the Fund out of unappropriated moneys in the Consolidated Revenue Fund could be made under the Act.

A related and key issue was the actuarial basis of the Fund. The emphasis on a program that was actuarially sound was taken to mean that the methods of calculating contributions and benefits, including other factors affecting program costs, had been formulated with reasonable certainty and with adequate, though not excessive, margins of safety.

In setting the 1940 contribution rates, an estimate was made of the contribution rates which would have been sufficient to provide the scheduled benefits over the eleven-year period from 1921 to 1931, assuming the scheme were fully implemented before this period. A margin of 30 per cent was added to the estimated average number of benefit days to make provision for higher unemployment than that shown in the period. The estimated average number of daily contributions was calculated accordingly using this margin. The figures arrived at were averages of 45.47 contribution weeks and 3.10 benefit weeks per insured person.

On the basis of the 1931 census data on wage earners, the distribution of these averages was determined for the earnings classes. From this, it was then determined that, for an insured population of 2.1 million, average total benefit payments a year would be $58.5 million. The rates of contribution were then established for each earnings class to provide this amount.

Organization and Administration

The Minister of Labour was responsible for the UI Act. The administration of the program, however, was to be carried out by a corporate body, the Unemployment Insurance Commission. The Commission was made up of a Chief Commissioner and two Commissioners, one representing workers and the other representing employers. This corporate body was appointed by the Governor in Council. It would have full responsibility for the operation of the UI Act including the National Employment Service in offices across the country created for these purposes.

The Act also called for an Advisory Committee, consisting of a chairman and from four to six other members appointed by the

Governor in Council. It was to advise and assist the Commission, report on the condition of the Fund and make recommendations to the Governor in Council if the Fund was likely to become insufficient to discharge its liabilities. The Committee was also to make recommendations on the classes of workers insured or to be insured.

Other provisions in the Act related to such areas as claims procedures, powers of inspection and control, penalties and offences, reciprocal agreements and other regulation-making powers.

These were the major provisions of the UI Act as they stood after its passage in 1940.

Developments in the 1940s V

A number of practical problems arose with the new program shortly after its implementation. In fact, the Act had not even been given assent before associations were making representations about UI coverage of various employments. These representations were first made when the Bill was being examined in the House of Commons and continued thereafter. In addition, changes in earnings and prices were bound to result in the need for adjustments of contribution and benefit rates from time to time. Following is a summary of the major changes in the program during the 1940s.

1942

The Commission, by Order in Council, was made a branch of the Department of Labour. This was done so the Commission could administer the National Selective Service Regulations until the war's end.

1943

In 1943, the Commission noted that demands on the UI Fund were low due to the war but demands on the Employment Service were high because of growing labour shortages in seasonal industries.

The Commission also indicated that during the 1942-43 fiscal year, insurance agents were excepted from insurable employment. It was clarified that miners were included in insurable employment unless they worked on a fixed salary basis exceeding $2,000 a year. People making over $2,000 a year in wartime work were insurable. The first two of these changes were based on administrative convenience. The third was a measure to ensure that people associated with the war effort were insured. (It is assumed that they did not pay more than the maximum contribution rate for the highest class.)

Beginning September 1, 1943, a number of amendments to the Act came into force. The first related to the earnings ceiling for coverage purposes. The Honourable H. Mitchell, Minister of Labour, said in debate that the UI Advisory Committee had recommended an increase of the contributory earnings ceiling for certain employees from $2,000 a year to $2,400 a year. With increases in weekly and annual earnings, it was noted that over half of the covered employees were now in the top earnings class. In the first year of operation, only five per cent had been in this class. Moreover, the earnings of many higher paid employees were fluctuating between $35 and $45 per week because of lost time, overtime and piece rates. This meant they

were in and out of insurable employment from one week to the next. So they would be insured continuously, the new ceiling applied to workers paid on a semi-monthly, monthly, or commission basis. An important effect of this change was to cover automatically all wage earners not otherwise excepted. (They were no longer distinguished from managerial and professional salaried employees either on the basis of earnings or according to method of payment.)

In addition, coverage was extended to municipally-operated public utilities and non-permanent employees of the federal government. Voluntary coverage of employees in hospitals and charitable institutions was permitted with the consent of the Commission.

A final amendment was that the eligibility requirement for claimants establishing a benefit year after a previous benefit year was made less stringent. Originally, such claimants required at least 60 contribution days since their last day of benefit in the previous benefit year. It became 60 contribution days since the start of the previous benefit year.

By regulation, truck drivers owning their own trucks were excepted from coverage.

1944

By Order in Council, it was deemed expedient and desirable that the provisions of the UI Act be extended to cover lumbering, logging, certain agricultural and horticultural employments, hospitals, charitable institutions, some professional nurses, the public service of Canada and some municipal employees. The UI Advisory Committee was asked to report on classes excluded from insurable employment.

Also in that year, the Commission reported it was undertaking a survey of seasonal workers. The Act empowered the Commission to make special regulations for classes of persons whose normal employment was for portions of the year. But this only applied to seasonal occupations. Any regulations made under this section of the 1940 Act would limit benefits for seasonal workers in their off-season.

1945

In this year, the Commission noted that UI was the first piece of major social legislation administered by the federal government. It stated the main function of the Act: to provide an employment service. The objective of this service was to find suitable work for employable persons seeking jobs. If insured persons were unable to get new jobs, the Commission saw the insurance provisions of the Act giving the required aid for all people employed under a contract of service. The Commission's role was apparent from its view of the Act which it described as a scheme of cooperative enterprise between employers and employees under government supervision.

Also noteworthy was that the top earnings class now accounted for 68.8 per cent of contributors. This resulted in a shift in the proportion of aggregate contributions paid by employees compared to employers (54:46).

After investigation and representations from employers and employees in lumbering and logging, the UI Advisory Committee reported that it saw no difficulty in extending coverage to include employment in hospitals and charitable institutions, in the public service of Canada or in municipal government jobs. It declined, however, to take any position on the question of policy involved. As to employment as a professional nurse and certain types of employment related to agriculture and horticulture, the Committee reported that it would join with the Commission in recommending coverage of those employments. In lumbering and logging, the Committee pointed out many practical difficulties. But it said that employment in the industry should be covered as soon as possible. It therefore advised that it would join the Commission in recommending this to the Governor in Council. Its recommendation would be that coverage in lumbering and logging should be on a regional basis and subject to special regulations to fit the circumstances in particular areas. The Committee also felt the Commission's power to impose seasonal regulations should be clarified and strengthened to provide proper coverage of employment in lumbering and logging.

The Act itself was not amended in 1945. But following the study and discussion on possible extensions of coverage, certain changes in insurable employments were made under authority of the Act. For example, coverage was extended to employees in charitable organizations. This reflected employers' growing realization of their social responsibility to their employees, who would be insured if they worked for most other employers. Coverage was also extended to employees in air transportation and to professional nurses other than private duty nurses.

Late in 1945, the *Veteran's Rehabilitation Act* was passed. Its purpose was to help the rehabilitation of troops after the war as they adjusted to post-war Canada. A veteran with 15 weeks of insurable employment was considered to have been in insurable employment during service in the armed forces. Payment of employee and employer shares of contributions for such employment came from moneys appropriated by Parliament and credited to the UI Fund. Protection against adverse effects on the Fund was given in a provision of the Act. It directed the UI Advisory Committee to report to the Governor in Council any adverse effects so remedial action could be taken. If there were adverse effects on the Fund, there is no evidence that they were of important proportions.

The year 1945 was also the year the government initiated family allowances. Both UI and family allowances, since they conferred rights to benefits, did not stigmatize the beneficiaries. The programs were seen as creating an interest in more and better social security in Canada.

1946

In this year, the Commission reported that the Act had a twofold purpose: the creation of a National Employment Service to assist employees and employers in solving their employment problems and

the payment of UI benefits to insured workers while involuntarily unemployed. This was accomplished through a cooperative organization in which employers, employees and government were associated. This cooperative principle was exemplified in the Commission, the Advisory Committee and the Courts of Referees. It also noted that representations by employees for an increase in benefits because of an increase in the cost of living had been received. These representations were being considered. Questionnaires and surveys were also being undertaken to respond to concerns about issues relating to women and coverage was extended to lumbering and logging in British Columbia, as authorized in the Act.

On October 1, 1946 the Act was amended. Employment in transportation by water became insurable. The money a claimant could earn without affecting benefits was increased from $1.00 to $1.50 a day. These allowable earnings could only be in an occupation carried on in addition to and outside the hours of a claimant's usual occupation. The 1946 amendments also said that the Commission would be responsible to the Minister of Labour for the administration of the National Employment Service. No such requirement had previously been included in the legislation.

Under the 1946 amendments as well, the provisions for verterans in the *Veterans' Rehabilitation Act* were made part of the *Unemployment Insurance Act*. (Merchant seamen were considered to be veterans.) In addition, the Commission was empowered to insure any class of workers not employed under a contract of service if their exclusion would result in injustices because of the similarity of their employment to that of insured workers.

Several interesting points emerged in debate. The Honourable H. Mitchell, Minister of Labour, noted that the effect of any social legislation was dependent on the number of people covered. He said it had been the government's policy to widen the scope of the Act as rapidly as possible. And he recognized that the changes to date, together with those projected, indicated the progress in this regard. At the same time, he said he recognized the need to keep the Fund actuarially sound.

This seemed to lay the groundwork for the other major initiative of that year. A seasonal regulation was introduced to restrict benefit payments for the newly covered employees of transportation by water. The rationale for the seasonal regulation was in section 42 of the 1940 Act. It gave the Commission authority to make seasonal regulations. It stated that additional terms and conditions for contributions and benefits could be imposed on classes of workers whose normal employment was for a part of the year. But this could only occur in seasonal jobs if they "would result in anomalies having regard for the benefits of other classes of insured persons". The Commission took this to mean that seasonal workers, accustomed to making their annual wages during part of the year, had no insurable interest in the off-season. It reasoned that the rights of other insured workers should be protected by imposing additional conditions,

including restrictions on the period for which benefits could be paid.

The regulation was framed on an industry basis. The Commission had to decide which industries were seasonal and define the on- and off-seasons. Subject to exceptions in specified circumstances, claimants were classified as seasonal workers if, in the period before their claims, they were employed in a seasonal industry for a specified period. In these cases they would not be entitled to benefits in the off-season. Any unemployment in a seasonal industry that occurred in the on-season was as fully protected as any other job.

Relief from non-entitlement in the off-season was possible if claimants proved they were not just seasonal workers. There were three ways to demonstrate this. Claimants had to prove they had

(a) at least 12 days of work in a non-seasonal industry in the 48 days before the beginning of the benefit year, or

(b) sufficient yearly attachment to insurable employment (an aggregate of 420 days or 70 weeks over the two-year period before the claim), or

(c) at least 40 days (about 25 per cent) of their insurable employment in each of the two previous off-seasons.

The test for designating a seasonal industry involved determining whether work over a period of years in the off-season regularly declined each year to less than 50 per cent of the peak and stayed below that level for at least 20 weeks. The off-season was usually defined as the average period the industry reduced its activity to below 50 per cent. These rules were admittedly arbitrary. They apparently were never given a real test because the industries to which seasonal regulations were eventually applied were clearly inoperable for specific periods.

The first application of seasonal regulations (for inland transportation by water), involved an off-season of January 1 to March 31. The text of section 42 of the Act, the regulation applying to inland water transport and all other seasonal regulations made after 1946 are included as Appendix A. It illustrates their detailed nature and the number of times they were amended.

A further change related to the earnings ceiling. It had apparently been found that wage earners who were insurable regardless of their earnings were often in as stable employment as monthly or semi-monthly salaried employees who were not insurable at all if their earnings exceeded $2,400 a year. In view of this, a new regulation was passed. It excepted people paid by the week whose annual earnings exceeded $3,120. People whose earnings took them out of coverage, however, could elect to stay covered if they had 200 contribution weeks in the last five years.

A final amendment to the regulations in 1946 involved the exclusion of persons owning 50 per cent or more of the voting stock or directors holding shares in a company from coverage. (They were viewed as having a controlling interest in their employment.)

1947

Although there were no amendments to the legislation in 1947, pressure was building to liberalize UI by increasing benefits, reducing the waiting period and dispensing with contributions because the Fund was getting too large. Its net value was $447 million at the end of the 1947/48 fiscal year.

1948

The first changes of 1948 were to the regulations. The contributory earnings ceiling was raised for salaried workers and commissioned employees from $2,400 per year to $3,120. Employment in stevedoring was given coverage. And finally, a revision was made to the seasonal regulation. It modified the terms and conditions and added coverage to stevedoring at inland ports, (Saint John and Halifax) which had been designated as a seasonal industry. (See Appendix A.) The Commission also gave notice of its intent to eventually apply seasonal regulations to the packing and processing activities of the fruit and vegetable industry. (After studying this and its possible application to the fish packing industry, no action was taken because of the administrative difficulty of applying seasonal regulations to these jobs.)

Amendments to the Act effective October 4, 1948 brought the first increase in benefits which were badly out of line with wages. The maximum weekly benefit for a claimant with a dependant rose from $14.40 to $18.30. Benefits for those without dependants increased from $12.24 to $14.40. The benefit rate was to be determined on the average of the most recent 180 days of contribution, rather than all contributions in the two-year qualifying period. This was seen as a way to speed up claims processing because only one book of stamps would be needed to calculate the rate instead of two.

Changes in contributions were also made since about 75 per cent of insured persons were now in the highest contribution class. A new higher earnings class was created for the contributions table and the contribution rates were changed to restore equality between aggregate employer and employee contributions. The Act was also amended to stop benefits to veterans for service after September 30, 1947.

This was the first year that the UI program was reported as a first line of defence against the hardships of unemployment. The Commission also noted that UI was now firmly rooted in the Canadian economy as a cooperative venture.

1949

At the beginning of 1949, real estate agents paid solely by commission were excepted from coverage. In April, coverage was extended to employees in the armed forces of the new province of Newfoundland, through an amendment to the Act. The seasonal regulation was also amended to relax requirements for entitlement in the off-season. (See Appendix A.)

The 1940s in summary VI

After the enactment of the *Old Age Pensions Act* in 1927, the introduction of unemployment insurance in 1940 and the family allowance program in 1945 were the second and third major building blocks in the development of a comprehensive income security system for Canada.

For the UI program in particular, the 1940s can be characterized as a period of growing pains. Adjustments were made to contributions and benefits to fit changing circumstances. A number of amendments to the coverage provisions resulted in 50 per cent coverage of the labour force. (This was an increase from 42 per cent during the first year of the program.) Demands for benefits were small and the fund grew to exceed $500 million. Insurance principles were still of prime concern in administering the program. For example, when seasonal work was granted coverage, benefits to these employees were limited to the on-season, with some exceptions.

Developments in the 1950s VII

1950

Unemployment had increased sharply at the end of 1949 and the cause was not entirely seasonal. A combination of factors including international trade uncertainties, currency devaluation, industrial disputes, supply curtailments and bad weather conditions combined to give the UI program its first real test. Qualifying conditions proved to be too stringent for the difficult economic climate. Many claimants exhausted their benefits or failed to qualify.

The government amended the Act early in 1950. The most significant change was the creation of a new kind of benefit. Supplementary benefits, as they were called, were to be payable to people unable to qualify for regular benefits

(a) whose benefit rights had been exhausted since the preceding March 31, or

(b) who had at least 90 daily contributions since the preceding March 31.

Supplementary benefits at approximately 80 per cent of the regular benefit rate were payable from January 1 to March 31 (between March 1 and April 15, in 1950). To provide for the cost of supplementary benefits, contribution rates were raised by one cent a day for employers and employees and by 20 per cent of the aggregate of this for the government. There was also a temporary guarantee that if the additional contribution proved insufficient to pay for supplementary benefits the government would make up any deficit.

The introduction of supplementary benefits was, however, in direct conflict with the seasonal regulations and the ratio rule. For example, people eligible for supplementary benefits were exempted from seasonal regulations while they were in force. This severely limited the effectiveness of the seasonal regulations. The fact that supplementary benefits were also paid to those who exhausted entitlement and to newly-covered employees, regardless of their contributions, was an enrichment of the program which represented a departure from the principles underlying the original legislation.

Other amendments to the Act took effect in July 1950. The contributory earnings ceiling was raised from $3,120 to $4,800 a year. The maximum benefit for people without a dependant was increased from $14.40 to $16.20 a week. People with a dependant received a maximum of $21.00 a week, up from $18.30 a week. The schedule of contributions was revised, reducing the number of contribution classes. And employer and employee shares of contributions were made equal. Allowable earnings were increased from $1.50 to $2.00 a day. Coverage of lumbering and logging was extended to all of Canada. (It had been made an insurable employment in British

Columbia in 1946.) As a result, the seasonal regulation again required amendment when lumbering and logging outside B.C. were covered and identified as seasonal industries. (See Appendix A.)

In addition, the special eligibility requirement for a second or subsequent benefit year was modified. Before the amendment, it was 60 or more daily contributions since the start of the previous benefit year. With the amendment, it became

(a) at least 60 daily contributions in the period of one year before the claim or in the period since the previous benefit year began, whichever was shorter, or

(b) at least 45 contributions in the period of six months before the claim or in the period since the previous benefit year began, whichever was shorter.

Later in the year, the Commission faced the situation involving married women who reported themselves as unemployed and claimed benefit when they had really withdrawn from the job market. On several occasions, the UI Advisory Committee had commented on the amount of benefits paid to married women who apparently were not available for work. In November 1950 the Commission, under an amendment to the Act approved earlier, put into effect a regulation imposing additional conditions on married female claimants. Generally, the intent of the regulation was to restrict benefit payment to only those who could show by their employment history before marriage that they were still actively interested in obtaining employment. Applying only to women who terminated their employment, the regulation required women claiming benefit within two years of becoming married to show by their employment record that they had not left the labour market as a consequence of marriage.

There were certain exemptions from the regulation. For instance, a married woman was exempted if she became a widow or had to work because of her husband's illness to support herself and her family. Exemptions also applied to the woman who became a breadwinner because of desertion or permanent separation from her husband. Also, married women discharged from employment because of shortage of work or because the employer would not keep married women in jobs were exempted.

1951

The Commission noted that the record since the married women's regulation came into force showed it had been justified. From November 1950 to March 31, 1951, of 8,884 women disqualified, five per cent found work, 18 per cent kept their employment applications active and 77 per cent let their employment applications lapse.

Security salesmen paid salary by commission were excepted from coverage and the seasonal regulation was again amended. (See Appendix A.) Minor changes were also made to remove discrepancies from the married women's regulation.

In describing the tenth anniversary of the program, the Commission stated the program had been a stabilizing influence on the economy in spite of national and international uncertainties. It had paid out $90 million in benefits. (Of this, $7 million was supplementary benefits.) Financial reserves of $664 million had been built up in the Fund.

The year 1951 was also the year the *Old Age Security Act* was passed. It was a form of universal demogrant hailed in some quarters as removing the sense of personal failure which accompanied receipt of the old age pension under the 1927 Act.

1952

In 1952, there were further modifications in benefits. The maximum for a claimant with a dependant increased from $21 a week to $24. The waiting period, which had been reduced from nine to eight days in 1950, was further reduced to five. Provision was also made for postponing the waiting period in some circumstances on a second or subsequent claim. A more significant change was the extension of the supplementary benefit period by two weeks. The period was extended to April 15 beginning in 1953.

The benefit rates were increased without changes in the contribution rates and the waiting period was reduced "in view of the sound condition of the Unemployment Insurance Fund".

In addition, the married women's regulation was again changed to make it easier to be exempted. With growing numbers of industries converting from a six-day to a five-day work week, regulatory changes were also made to ensure that claimants whose full work week was five days would be treated the same as those on a six-day week.

1953

An amendment to the Act in August 1953 allowed continuing benefit payments for claimants becoming ill after having left a job. Although not of major proportions, the amendment departed in principle from the 1940 Act which required claimants to be capable of work. It was rationalized on grounds that people getting benefits need them even more if they become ill while on claim. Although some people felt the amendment could very well have been legitimizing what was already happening in any event, the Commission itself took an interesting position on the amendment. It stated that other countries had schemes to cover unemployment by reason of sickness because this was involuntary unemployment. Before proposing such a broad extension of UI, however, it felt that experience should be gained with this provision. But it was nevertheless viewed as a step forward.

A minor change in coverage to remove the earnings ceiling for printing tradesmen paid by week and below the rank of foreman was also made in 1953. The Commission noted that UI coverage, now expressed in different terms, had been extended to 79 per cent of wage earners and salaried employees in the labour force.

1954

In this year, coverage was extended by regulation to certain jobs in horticulture and to Canadian armed forces members enrolled since 1950 for service in the Korean War through an amendment to the Act. In addition, the Commission noted that all moneys paid on termination of employment such as holiday pay would be disregarded as earnings unless they were paid in consideration of returning to employment, in lieu of notice, as retirement leave or as a guaranteed wage.

The Fund balance stood at $881 million in 1954.

1955

Early in 1955, amendments to the Act increased the rate of supplementary benefits to that of regular benefits and extended the period for which they were payable by two weeks for 1955 (from March 31 to April 15). Since this had been done for 1953 and 1954, it was put forward in debate on the Bill as a way of continuing to alleviate the hardships associated with finding work in Canada in the winter.

The Commission reported that 1954/55 was a year of readjustment to the pressures of the Korean War. The Fund decreased for the first time by $40 million. The Commission stressed that this was no reason for pessimism since the Fund was meant to provide a balance between the good and bad years.

The Commission also noted that additional coverage had been achieved through the elective provisions for employees in some hospitals, charitable institutions and provincial governments.

The 1955 Act

On October 2, 1955, the 1940 Act was repealed and replaced with the revised and consolidated *Unemployment Insurance Act, 1955*. In broad terms, the new Act contained a number of departures from the original. Its purpose, as noted in the throne speech of that year, was to introduce amendments designed to make unemployment insurance more effective in providing financial support to the unemployed. A useful comparison of the 1940 Act with the new 1955 Act was provided by the Commission in its Annual Report, following the Bill's passage. The text follows.

Coverage

The revision of the Unemployment Insurance Act did not entail any material change in the basis of coverage. Basically, insurable employment is still employment under a contract of service. However, several extensions of coverage to employments formerly excepted were made by means of regulations passed under the Act. These extensions include the following:

> (a) employment in those parts of agriculture concerned with the raising of poultry and egg grading, and the raising of race horses, saddle horses or light harness horses;

(b) employment in horticulture, except certain employments connected with general agriculture or performed in a nursery or greenhouse;

(c) employment in forestry, with the exception of certain casual or temporary employments;

(d) employment of any member of a municipal police force employed after December 31, 1955, with the consent of the municipality and with the concurrence of the Commission. Members of provincial police forces who became employed after December 31, 1955 may also be insured, provided the province concurs.

Contributions

There were three main changes in regard to contributions under the Act. First, contributions would be made in accordance with the amount of earnings in a week rather than on a daily basis. Second, the scale of contributions was revised so that the contributions were a closer approximation to the same percentage of wages in each earnings class. Third, three new earnings classes were added at the upper end to allow higher ranges of benefit to employees as they move into those earnings classes.

The daily contribution was adopted in Canada under the 1940 Act in an attempt to make the contribution record an accurate reflection of days worked and days lost and also of changes in the amount of earnings from day to day or week to week. This method escaped some of the disadvantages of the fixed weekly stamp used in Britain, for example. However, the method was involved, entailed much risk of error, and meant additional work for employers and additional difficulty in processing insurance books and computing benefit. The basic method of making contributions by stamps or meter and recording them in insurance books was retained. However, the weekly contribution reduces the difficulties just mentioned and has several advantages over the daily contribution. For example, with one stamp based on the weekly earnings instead of portions of stamps for each day worked, it is immaterial whether an employer's establishment is on a six-day or five-day week. The spread of the five-day week caused great practical difficulties in applying the system of daily stamps. A weekly earnings stamp also makes it easier to record contributions and determine periods of unemployment where there is short-time employment or subsidiary employment or where a holiday falls in the middle of a week. This is an advantage for employers and workers as well as for the administration.

In relation to the corresponding earnings classes, the rates of contributions are, for the most part, slightly lower than formerly. This benefits both employers and workers. Further, they are more evenly graded as a percentage of earnings. The old rates ranged from 18¢ a week from the employee for earnings under $9.00 a week up to 54¢ for earnings of $48.00 and over, with a similar amount payable by the employer. Taken as a percentage of average earnings in each contribution class these contributions ranged from 3.21 per cent at the bottom of the scale to .94 per cent in the highest class, which meant that the person with small earnings paid a much higher earnings bracket. The new scale of contributions ranges from 16¢ for earnings under $15.00 a

week to 60¢ for earnings of $57.00 and over. These rates work out at very close to 1 per cent of average earnings in each earnings class. At the bottom of the scale the percentage is 1.36 per cent. The percentage falls very slightly but in the top earnings bracket is still 1.01 per cent. This is about as even a progression as can be achieved with a set of stamps of fixed denominations.

As insurance books and related records are being retained on substantially the same basis as formerly, the Commission will still be in a position to maintain adequate records for statistical and actuarial purposes with reference to the income and outgo of the fund and the contribution and benefit history of insured persons.

Benefit

With regard to benefits under the Act, the following changes were made.

The qualifying conditions were amended and in some respects made easier.

The conditions for re-qualifying for a second benefit period after exhaustion of benefit were in some respects made easier.

Most of the benefit rates were increased.

The provisions governing the minimum and maximum duration of benefit were changed.

The non-compensable day was eliminated and the conditions under which a claimant, while receiving benefit, may earn casual, subsidiary or short-time earnings were made more equitable.

Supplementary benefits were integrated with ordinary benefit and called "seasonal benefit".

No material change was made in disqualifications (leaving employment voluntarily without just cause, participation in labour disputes, etc.) or in the waiting period.

Qualifying Conditions for Benefit

Formerly, as a preliminary to obtaining benefit, a claimant had to show that he was:

(a) unemployed;

(b) capable of and available for work; and

(c) unable to obtain suitable employment.

Having satisfied these three conditions, it also had to be shown that the prescribed number of contributions had been paid in respect of him. Under the old Act there were: 180 daily contributions paid during the two years preceding the date of his claim for benefit, of which either (a) 60 must have been paid during the 52 weeks preceding the claim (or since the commencement of the immediately preceding benefit year, whichever was less), or (b) 45 must have been paid during the 26 weeks preceding the claim for benefit (or since the commencement of the immediately preceding benefit year, whichever was less). In order to be fair to claimants who were incapacitated for work or who were in

business on their own account, the Act allowed an extension of the periods mentioned above in order that a claimant might utilize contributions made at an earlier period.

Under the new Act, a claimant must show that he is unemployed during any week for which he claims benefit, and he is disqualified from receiving benefit for a day for which he fails to prove that he is capable of and available for work and unable to obtain suitable employment. However, the qualifying contributions are related to the number of contributory weeks rather than to the number of daily contributions. The minimum qualification for benefit is that contributions have been paid in each of 30 weeks during the two years preceding the date of claim, at least eight of which must be in the year immediately preceding the claim. This entitles a claimant to the basic minimum period of benefit, namely 15 weeks. Each additional two weeks of contributions entitles him to a further week of benefit up to the point where 72 contributory weeks have been taken into account, which gives the maximum of 36 weeks of benefit.

While it is necessary to have made contributions in each of 30 weeks to qualify, it is not necessary for a claimant to have been employed for the whole of each week. In this respect, the qualifying conditions are easier than under the old Act. Formerly the requirement of 180 days meant the equivalent of 30 complete weeks of employment, reckoning each week as six working days. Under the new provisions, two days, or even one day, of employment in a week can give a weekly contribution credit for the purpose both of qualifying and determining the duration of benefit.Such partial employment, since the earnings per week would be lower, would, if prolonged, result in a lower weekly rate of benefit, but would on the other hand enable a claimant to qualify for benefit sooner than under the old provisions.

For example, if a person ordinarily working on a five-day week went on short-time of four days a week, under the old daily stamp system he received four daily stamps for his week's work rather than one weekly stamp. This meant that if the short-time condition lasted for three months, under the daily plan he was credited with 52 days or 8½ weeks, while under a weekly plan he would be credited with 13 weeks.

The same applies to the re-qualifying conditions, which are as follows. Instead of 60 days during the last year (or 45 during the last half year) a claimant has to build up credit for eight additional contribution weeks since the commencement of his previous benefit period. He again has to show that contributions were made in each of at least 30 weeks in the two years preceding the date of his claim. (Contribution weeks which were in the two years immediately preceding the previous claim can be used on a new claim only if they are within one year of the commencement of the new claim. This proviso is necessary to prevent a claimant using the same contributions over and over for benefit without having obtained any further insurable employment.)

Here again, the new Act makes it easier for a claimant to re-qualify for benefit in that a full weekly contribution credit may be acquired even though a claimant has been unemployed and paid benefit in respect of part of that week. Under the old Act he would get credit only for the particular days for which he paid contributions. If he was working only a couple of days a week, it would take him two or three times as long to establish a new benefit period.

Rates of benefit

In regard to rates of benefit, it had been realized for some time that because of the rise in wage levels the old benefit rates did not represent the same percentage of average earnings as formerly. The scale of benefit originally provided by the 1940 Act was designed to give benefit which would be slightly less than ordinary earnings in the lowest brackets and which would gradually fall to approximately 50 per cent of earnings in the top brackets. Benefit rates were adjusted several times to keep them in line with earnings. The new Act made another such adjustment. Under it, the maximum weekly rate for a single person is increased from $17.10 to $23.00 and the rate for a person with a dependent is increased from $24.00 to $30.00. (Average weekly earnings, excluding agriculture, are now about $61.00.) There are adjustments also for the persons in lower earnings brackets.

Duration

Under the old Act a claimant got entitlement to one day's benefit for five days' contributions in the previous five years less ⅓ of the benefit days taken in the previous three years. This provided a minimum of six weeks' benefit and a maximum of one year (less the waiting period) or 51 weeks, depending on the length of time for which an insured person had contributed. However, the nominal entitlement may have been reduced or even wiped out entirely, if the claimant had made many previous claims, because of the ⅓ deduction.

The great majority of insured persons have a good contribution history and experience had shown that in many cases the credit thus set up for an unemployed person when he files a claim was not being used. For example, during the five-year period 1949-1953, although about ⅓ of all those establishing benefits rights were entitled to 180 days (30 weeks) or more, only about 1/20 actually drew benefit for 180 days or more. This is illustrated by the following: The average duration authorized for all claimants was 26 weeks; the average benefit taken by all claimants was 9 weeks; 90.1 per cent drew only 1 to 19 weeks, 6.4 per cent drew 20 to 29 weeks, while only 3.5 per cent drew 30 or more weeks.

On the other hand it was found that the minimum duration of six weeks provided for a person who has made the minimum 180 qualifying contributions is insufficient to carry many claimants over their actual period of unemployment. This applied especially to immigrants, to young persons and others who had newly entered insurable employment and to persons unable to obtain steady employment and thus build up a solid record of contributions. Because of seniority clauses in labour agreements, among other reasons, these groups tended to be unemployed sooner than senior employees and also tended to have more difficulty in getting back into employment.

It was the object in designing a new benefit formula to provide a longer basic minimum period of benefit. This was fixed at 15 weeks instead of the old minimum of six weeks. In view of the high percentage of claimants who did not use the long period of entitlement that was often set up for them, it was considered justified to reduce the maximum period of entitlement to 36 weeks.

However, it must be noted that under the new benefit formula the provision of a nominal maximum credit for 36 weeks' benefit does not mean that 36 weeks is the maximum period during which a claimant can draw benefit. Under the new provisions regarding allowable earn-

ings from part-time employment while on claim, if a claimant earns more than the prescribed amount during a week, while he is on claim his benefit, though not necessarily cancelled altogether, will be reduced to some extent. His income will be maintained through the receipt of partial earnings and partial benefit. The effect of this provision will be to extend the duration of his potential benefit. If at the commencement of his benefit period a credit amounting to 36 weeks of benefit is set up he will draw the amount in 36 weeks if he is wholly unemployed during that time. In many instances he will not draw it in 36 weeks if he is getting some short-time employment or part-time or subsidiary employment. At the end of 36 weeks he will still have a credit and if his incidental earnings during some weeks are fairly substantial he may continue to receive benefit (with or without partial earnings) throughout 51 weeks instead of 36 weeks, i.e., until the end of his benefit period.

To further illustrate the fact that the new Act is, on balance, quite as generous as the old Act and in some respects more so, it should be noted that under the old Act a claimant could obtain 51 weeks' benefit only if he had a record of solid contributions for unbroken employment over a period of five years preceding his claim, i.e., for 260 weeks. Under the new Act, if he has made contributions for 60 weeks within the two years prior to his claim he can obtain benefit for 30 weeks. (Under the old Act 60 weeks' contributions gave only 12 weeks' benefit.) Moreover, he need not have been employed for the whole of each week in the 60 weeks mentioned provided he has contributed for some insurable employment in each of those weeks.

Allowable earnings

In the matter of allowable earnings, the old Act allowed a person on claim to be considered unemployed if he was carrying on some part-time job but only if it was in an occupation which could be carried on in addition to and outside of the ordinary working hours of his usual employment, and if the earnings from this subsidiary occupation did not exceed $2.00 a day. This resulted in many anomalies. If a claimant earned, say $3.00 a day each day of the week, he lost his benefit for the whole week. Another claimant who earned the same amount of money in one or two days received benefit for the other days on which he was unemployed. Similarly a claimant earning $2.00 or less per day in subsidiary employment outside of his usual working hours was deemed to be unemployed and eligible for benefit throughout the week, while a claimant who earned even a small amount from his regular employer, say for one hour's work each day, was deemed to be employed and got no benefit for that week.

Anomalies also resulted from the old provision that the first day of unemployment in any period of unemployment was a non-compensable day. As with the waiting period, this device was intended to eliminate claims for very short periods and to help a single plan of unemployment insurance to fit a wide variety of employment conditions. However, the reasons for the provisions were difficult to explain to claimants and the anomalies were aggravated by the spread of the five-day week. None of the rules which were applied in an attempt to adjust the non-compensable day under these circumstances were satisfactory. Owing to the variations in working weeks, workers in different plants lost the same amount of pay but some got benefit and some did not.

The same sort of anomalies occurred in the treatment of short-time employment. One plant would shorten the working day. They got no benefit. Another plant employed its workers in alternate weeks. They worked the same number of hours as the workers in the other plant. However, these employees got benefit in the unemployed weeks.

Under the new benefit formula the non-compensable day was eliminated and the rule regarding subsidiary earnings was modified. A scale of allowable earnings related to the ordinary earnings of a claimant in the period preceding his claim was provided. During a week on claim he receives his full benefit payment if the earnings he gets from any casual, part-time or short-time employment do not exceed the allowable amount established in his case. However, if that amount is exceeded he does not necessarily lose all his benefit. The amount of the benefit is simply reduced by the amount of the excess of his earnings over the allowable scale.

Under this provision it will generally follow that a claimant who loses only one day's work will get no benefit, as the amount of his earnings from the other days of employment in that week will so greatly exceed the allowable limit as to reduce the benefit, it is immaterial whether the earnings are obtained on one day or six days. It is also immaterial whether his earnings are from casual, subsidiary or short-time work. He will get benefit in proportion to the drop in his casual earnings, after taking the allowable earnings into account. This provision eliminated the anomalies formerly arising in respect of short-time work, the five-day week, the non-compensable day and the subsidiary employment rule.

Seasonal benefit

In regard to seasonal benefits (formerly supplementary benefits) the amendments substantially incorporated the amendments regarding supplementary benefit which were approved by Parliament in January, 1955. Seasonal benefit is payable during the period January 1 to April 15 because it is recognized that at this time of year unemployment is always greater and that persons whose ordinary benefit runs out in the late fall or winter months find greater difficulty at that season in obtaining employment.

Under the new Act an insured person can qualify for seasonal benefit at the same rate as ordinary benefit if:

(a) he has made 15 weekly contributions since the preceding March 31 (this will qualify him for two weeks' benefit for every three such contribution weeks, giving a minimum of 10 weeks' benefit and a maximum of 15 weeks); or

(b) his regular benefit period terminated after April 15 preceding the date of his claim for seasonal benefit (this will qualify him for 15 weeks' seasonal benefits).

In effect, a regular benefit period can thus be extended during the winter from the ordinary maximum of 36 weeks to 51 weeks.

Waiting period

There is provision made in the new Act for a waiting period of six days. This is the equivalent of the present waiting period of five days plus the first non-compensable day at the beginning of an initial claim. Under a scheme of unemployment insurance the insured person can be expected to absorb a small part of the loss, as is often done under automobile and

personal property insurance. This provision saves expense to the fund by eliminating claims that would otherwise be made for very short periods of unemployment amounting to only a day or two and makes a lower rate of contributions possible. What is just as important is that eliminating such claims makes it unnecessary to investigate the genuineness of the unemployment, something that is often difficult to verify when it is only of one or two days' duration.

By comparison with other countries it appears that the new waiting period of one week is not severe. All but three of the United States require a waiting period, and in most cases it is one week. In two states the waiting period is two weeks. In the United Kingdom there is a waiting period but, under a rather artificial arrangement, short periods of unemployment, if not separated by a stated number of weeks, are deemed to be a continuous period of unemployment and the first days are eventually paid for.

Since 1950 the Commission has had power to prescribe conditions under which the waiting period can be deferred in order to prevent hardship for a claimant when a new benefit period begins after he has been unemployed for some time. The new Act provides that the waiting period in such cases can be waived entirely instead of being merely postponed.

Transitional

Under the new Act the rates of benefit were increased, the minimum duration was lengthened and the provisions regarding allowable earnings which a claimant may receive without loss of benefit were made more liberal. Taken as a whole these amendments result in more benefit being paid to many claimants than at present. However, there will be cases where claimants, who have been insured for a long period, would have obtained more benefit under the old Act than will be possible under the new one. Provision was therefore made that during a transitional period of three years any claimant who exhausts his benefit on his first claim after October 2, 1955, will be entitled to any excess benefit which he would have received under the old Act had it been in force.

In practice, the potential benefit under both the old and the new provisions will be expressed in terms of a money credit and if the old Act would result in a larger credit the excess will be translated into the equivalent number of additional weeks of benefit at the new rate.

Old contribution rates

Range of earnings	Employer and employee contribution (each)	Average earnings in range	Contri. as percentage of average earnings
Less than $9.00	18¢	$ 5.60	3.21
$ 9.00 to $14.99	24	12.80	1.88
$15.00 to $20.99	30	17.85	1.68
$21.00 to $26.99	36	23.70	1.52
$27.00 to $33.99	42	30.20	1.39
$34.00 to $47.99	48	40.95	1.17
$48.00 and over	54	57.50	.94

New contribution rates

Range of earnings	Employer and employee contribution (each)	Average earnings in range	Contri. as percentage of average earnings
Less than $9.00 (1)	8¢	—	—
$ 9.00 and under $15.00	16	$11.80	1.36
$15.00 and under $21.00	24	17.85	1.34
$21.00 and under $27.00	30	23.70	1.27
$27.00 and under $33.00	36	29.65	1.21
$33.00 and under $39.00	42	35.60	1.18
$39.00 and under $45.00	48	41.60	1.15
$45.00 and under $51.00	52	47.55	1.09
$51.00 and under $57.00	56	53.50	1.05
$57.00 and over	60	59.70	1.01

(1) When earnings are less than $9.00, the contribution (for benefit purposes) is counted as ½ week.

Old benefit rates

Employee weekly contribution	Weekly earnings range	Weekly benefit		Average earnings in range	Benefit % of average earnings	
		Single	Dependency		Single	Dependency
18¢	Less than $ 9.00	4.20	4.80	5.60	75.0	85.7
24	$ 9.00 to $14.99	6.00	7.50	12.80	46.9	58.6
30	$15.00 to $20.99	8.70	12.00	17.85	48.7	67.2
36	$21.00 to $26.99	10.80	15.00	23.70	45.6	63.3
42	$27.00 to $33.99	12.90	18.00	30.20	42.7	59.6
48	$34.00 to $47.99	15.00	21.00	40.95	36.6	51.2
54	$48.00 and over	17.10	24.00	57.50	29.7	41.7

New benefit rates

Employee weekly contribution	Weekly earnings range	Weekly benefit		Average earnings in range	Benefit % of average earnings	
		Single	Dependency		Single	Dependency
16¢	Less than $15.00	6.00	8.00	11.80	50.8	67.8
24	$15.00 to $20.99	9.00	12.00	17.85	50.4	67.2
30	$21.00 to $26.99	11.00	15.00	23.70	46.4	63.3
36	$27.00 to $32.99	13.00	18.00	29.65	43.8	60.7
42	$33.00 to $38.99	15.00	21.00	35.60	42.1	59.0
48	$39.00 to $44.99	17.00	24.00	41.60	40.9	57.7
52	$45.00 to $50.99	19.00	26.00	47.55	40.0	54.7
56	$51.00 to $56.99	21.00	28.00	53.50	39.3	52.3
60	$57.00 and over	23.00	30.00	59.70	38.5	50.3

Allowable earnings

Weekly earnings range	Benefit		Weekly allowable earnings	% of average earnings, benefit and allowable earnings	
	Single	Dependency		Single	Dependency
Less than $15.00	$ 6.00	$ 8.00	$ 2.00	67.8	84.7
$15.00 to $20.99	9.00	12.00	3.00	67.2	84.0
$21.00 to $26.99	11.00	15.00	4.00	63.3	80.2
$27.00 to $32.99	13.00	18.00	5.00	60.7	77.6
$33.00 to $38.99	15.00	21.00	6.00	59.0	75.8
$39.00 to $44.99	17.00	24.00	7.00	57.7	74.5
$45.00 to $50.99	19.00	26.00	9.00	58.9	73.6
$51.00 to $56.99	21.00	28.00	11.00	59.8	72.9
$57.00 and over	23.00	30.00	13.00	60.3	72.0

1955 continued

Around the time the new Act was implemented, Canada's labour force totalled 5.7 million, of whom 4.4 million were wage earners and salaried employees. Seventy-five per cent of these people were covered by UI.

Also in 1955, the married women's regulation was modified again to make the necessary reorientation from the daily approach to the new weekly approach of the 1955 Act. The 1955 version of this regulation is contained in Appendix B.

New seasonal regulations were formulated in an attempt to increase their effectiveness. (See Appendix A.) This proved difficult in view of the entrenchment of supplementary benefits as seasonal benefits in the 1955 Act. Though made in October 1955, their application was postponed to October 1956.

Developments in the overall income security area in that year included legislation on old age assistance and help for blind and disabled people.

1956

Amendments to the Act effective September 30, 1956 eased the qualifying conditions on a second or subsequent claim. Before the change, if a benefit period were established following an earlier one, claimants needed at least 30 contribution weeks in the preceding 52 weeks (or since the beginning of the last benefit period if that was more than 52 weeks before the claim). Under the amendment, the 30-week requirement was reduced to 24. This applied to workers who worked for periods slightly less than 30 weeks each year. In particular, it applied to groups who tended to suffer layoffs when they could not draw seasonal benefits. The government felt that by changing this, many claimants who had been unable to qualify for regular benefits the preceding fall would qualify that fall.

An equally important change in that Bill was the extension of coverage to fishermen. The intention of this was to bring under the UI Act by regulation people in the fishing industry. Contributions were to start on April 1, 1957 with the first benefits paid in April 1958. The Commission recognized that this was a major departure from the scheme because most fishermen, including the self-employed, would be covered by treating their buyers as their employers. Benefits, however, would only be paid to fishermen during the seasonal benefit period—from January 1 to April 15.

The seasonal regulations made in 1955 were revoked before they were to come into force on October 27, 1956. This ended the brief era of benefit curtailment for workers in inland navigation, stevedoring, and lumbering and logging.

The Commission reported the balance of the Fund at $874.5 million. It said UI now covered 82 per cent of wage earners and salaried workers.

This was also the year the government enacted the *Unemployment Assistance Act* to provide income support to those unable to qualify for UI. Costs of this new program, sometimes described as the forerunner of the much-expanded *Canada Assistance Plan* of the 1960s, were shared between the federal and provincial governments.

1957

With the economic downturn of 1957, the Commission expressed doubt as to whether seasonal benefits would be of sufficient scope to provide the needed protection in their present form. The government felt that if seasonal benefits were not made more accessible, a large number of Canadian workers would be unemployed in the winter and barred from all help. Legislation, effective December 1, 1957, therefore extended the seasonal benefit period so benefits could now be drawn from December 1 to May 15. The minimum length of ten weeks of benefits was increased to 13 weeks and the maximum from 16 to 24 weeks.

Toward the end of 1957, the married women's regulation, viewed by women's groups as limiting the legitimate rights of married women, was revoked. It had become increasingly hard for the Commission to show that the regulation was not discriminatory toward one class of claimant because it did impose additional qualifying requirements on some married women. While the regulation was in effect some 12,000 to 14,000 recently married women were disqualified annually at an estimated saving to the Fund of $2.5 million a year. The regulation was revoked in November 1957; this was followed by a sharp increase in payment to married women, compared with single women. In 1958, benefits to single women rose 60 per cent, from $15 million in 1957 to $24 million in 1958 and then decreased. At the same time, benefits to married women increased by 80 per cent from $27 million to $47 million and continued to increase, although married women formed less than half of the women in the work force.

1958

Legislation in May 1958 extended the end of the seasonal benefit period from May 15 to June 29 for that year only. The Honourable M. Starr, Minister of Labour in the Conservative government of the day said that the six-week extension was intended to meet an economic situation which was not expected to recur. This extension of seasonal benefits would, he said, put additional purchasing power in the hands of those who most needed it.

The end of the year marked the beginning of the federal government's municipal winter works program.

1959

An improvement in the economy resulted in a levelling off and then a decrease in claims. Recent amendments, particularly the coverage of fishermen and the extension of the time seasonal benefits could be claimed had resulted in an increase of 34 per cent in seasonal benefit claims. This, together with the economic downturn which had just ended, had left the Fund somewhat depleted. It was now down to $500 million. During 1959, employment grew, but unemployment did too. This was due to large increases in the labour force and problems in certain sectors of the economy, such as the aircraft industry. It became apparent that legislation was again needed.

The final amendments to the Act in the 1950s (on September 27, 1959) were to give stability to the Fund, extend coverage and increase benefit rates and durations. To maintain stability of the Fund over the next few years, contributions were increased by 30 per cent for employees, employers and the government. The remaining amendments follow.

- The earnings ceiling was raised from $4,800 a year to $5,460.
- Two new earnings classes were added to the upper level. (This raised the maximum weekly benefit to $27 for claimants with no dependants and to $36 for claimants with dependants.)
- The maximum benefit duration was increased from 36 to 56 weeks.
- A new section of the Act guaranteed that the benefit rate from a second claim in a two-year period would not be more than one class lower than that of the first claim.
- The allowable earnings formula was changed such that the weekly benefit amount was reduced by an amount representing about 50 per cent of employment earnings while on claim.
- Imprisonment was added to the list of circumstances under which a qualifying period could be extended.

The 1950s in summary VIII

The 1950s was a decade marked by continuing readjustments to UI in response to needs, pressures and changing circumstances. The many changes to jobs and earnings levels covered reflected response to pressures for coverage from specific segments of society and to changes in earnings levels. The question of which jobs were insurable was largely resolved by the end of the decade. Coverage at that time was as universal as it would be for the next decade.

The married women's regulation to curtail benefits for women came and went despite increased costs to the Fund. Seasonal regulations to curtail benefits for employees in seasonal jobs in the off-season, originally tied closely to the expansion of coverage into seasonal employment, became ineffectual with the introduction of supplementary (later seasonal) benefits and were eliminated.

Qualifying conditions were eased and benefits were enriched by reducing the waiting period, increasing benefit rates, lengthening durations and increasing allowable earnings. This was mostly in periods when the Fund was accumulating reserves. The expanded coverage, eased qualifying conditions and enriched benefits, together with adverse economic conditions, resulted in significant increases in contribution rates at the end of the decade.

More important, however, were the two significant departures from the principles underlying the original Act. These were the coverage of self-employed fishermen and the introduction of supplementary benefits, later entrenched as seasonal benefits. These had originally been introduced to overcome limitations in the regular benefit formula, but together, these two changes weakened application of the strict, clearly defined insurance principles, the basis of the 1940 Act. Although additional departures from the original principles were predictable, given the coverage of some seasonal jobs in the late 1940s, there was an attempt to retain program integrity. This was done by restricting benefits to people in jobs in the off-season which could not later be justified under the supplementary (seasonal) benefits provisions.

Taken together, the amendments in this decade made UI one of the major government responses to the environment resulting from declining economic conditions. It seems that a prevailing view of the times was that expanding and enriching UI would cause no permanent damage. This was probably based on the experience that economic recessions existed only for brief periods.

Consideration of the 1950s could not end without noting the important advances in income security in Canada. The old age security and unemployment assistance provisions enacted in the

decade were important steps in filling gaps in the Canadian income protection system. This was particularly true after 1956 when there was unemployment insurance for those who qualified and unemployment assistance for those who did not.

Developments in the 1960s

IX

1960

Although this year did not involve any legislative amendments to the UI Act, it did result in a heavy drain on the Fund. Benefits topped $500 million for the first time. Fund reserves dropped to $181 million at the end of the fiscal year. With benefit payments now exceeding both private sector and government contributions, concerns emerged about the efficiency of the program.

The *Technical and Vocational Training and Assistance (TVTA) Act* replaced previous limited initiatives in the training area such as the *Vocational Training Coordination Act*. The TVTA Act was the authority for a series of programs to encourage people having difficulty getting established in the labour force to take training. Although a majority of trainees were not eligible or did not apply for UI, allowances under the TVTA Act and its predecessors were deducted from UI benefits payable.

1961

The year 1961 marked the first fundamental study of the UI program. On July 17th, an Order in Council put forward by Prime Minister Diefenbaker appointed a Committee of Inquiry to review and analyse the Unemployment Insurance Act. The Committee of Inquiry was to study the Act's relation to other social security programs, public and private, in light of developments since 1940. The Committee was chaired by Mr. Ernest C. Gill, President of the Canada Life Assurance Company. It included Mr. Etienne Crevier, Dr. John James Deutsch and Dr. Joseph Richards Petrie as Commissioners and came to be known as the Gill Committee. In its terms of reference, it was asked in particular to report on

- the provisions needed to deal with seasonal unemployment,
- the means of correcting any abuses or deficiencies found to exist, and
- the relationship between support programs for the unemployed and other social security programs.

1962

By early 1962, the Fund reserves were down to approximately $67 million.

Later in the year, the Gill Committee finished its work and submitted its report in November. The report focused on a review of the legislative history of the Act, an analysis of its financial operations and program abuse and misuse. It had a number of important messages to convey. For example, it reported that there appeared to be wide support for a scheme based on insurance principles because of views that the program was being used for purposes inconsistent with insurance. Changing attitudes, moreover, had compounded abuse because of those who felt they had a right to recover their contributions regardless of the intent of the program. It also recognized the real difficulty in testing availability for work when there is a lack of job opportunities.

The Committee's report said there was no insurance scheme that could cope with the whole unemployment problem. It felt that any attempt to make it do so merely forced distortions so that the basic principles could not be maintained and the plan would be pushed from amendment to amendment with no sound guiding principles on which to base decisions. It said there was always a certain amount of frictional unemployment even when unemployment was lowest. This, together with other short term unemployment arising from changes in the market place, was appropriate for UI to indemnify. But the report said that situations involving longer term unemployment and pockets of high unemployment caused by recessions or industry closings called for income maintenance as only one of many tools that should be used.

The report's 244 recommendations touched on virtually every provision in the program. In its briefest terms, it recommended a broader plan with minor exceptions in insurability. A purely insurance-based plan for regular benefits (financed by employer and employee contributions) would be followed by extended benefits (financed by general revenue) and a general assistance plan involving some form of needs test.

On the problem of seasonal unemployment, the Committee recognized that there had been real practical difficulties administering the seasonal regulations on an industry basis. At the same time, it noted complaints about the inappropriateness of paying benefit to those destined to be unemployed for predictable periods of the year from insurance contributions. The determination of entitlement on the basis of a person's own employment record was the Committee's solution. It recommended that seasonal regulations be introduced which would, in effect, determine the individual's off-season. Claimants would be considered seasonal and disqualified in the third year, if they had had five or more weeks or unemployment at the same time in the two previous years.

1963

This year for the Commission involved the examination of the Gill Committee Report. An interdepartmental committee made up of

officials of departments such as Finance, Labour, Health and Welfare, the Bureau of Statistics, Revenue and the Commission itself was formed to review the program and the Committee recommendations. Benefit payments continued to be a heavy drain on the Fund, with the balance declining to $10 million.

In the House of Commons, Conservative members, now in Opposition, pressed for action on the Gill Committee proposals. The Honourable A. MacEachen, Minister of Labour, said the report was an important document affecting all Canadians and that careful consideration would have to be given to its recommendations before introducing legislation with such far-reaching effects. Prime Minister Pearson suggested that the revamping of UI, given the state of the Fund and the Gill Committee report, would more appropriately be dealt with in a subsequent session of Parliament.

1964

In 1964, the continued drain on the Fund left its balance at under $1 million. This was an all-time low. By way of *Appropriation Act No. 10*, the powers, duties and functions of the employment services were transferred from the Commission to the Minister of Labour. The transfer was to be effective April 1, 1965. The main reasons for the change (recommended by the Gill Committee) were to develop an integrated approach to manpower policies and programs and to correct the negative image the public had of the employment service from its association with the payment of UI benefits. The Department of Labour was therefore proposed as the focal point for both the development and operation of manpower and labour market policy.

1965

In terms of UI amendments, 1965 saw only minor coverage changes. Employment in barbering and hairdressing, except that of owners, became insurable. And taxi and bus drivers, except those owning their own vehicles, were also covered. More jobs in agriculture and horticulture also became insurable.

In the income protection area, 1965 was a particularly important year. It marked the introduction of the *Canada and Quebec Pension Plans*. These extensions of social insurance were viewed as an attempt to replace some of the more *ad hoc* and previously inadequate measures with automatic, inflation-proof pensions on a national basis.

1966

On March 25, 1966, a report on changes to the UI program was prepared for the Minister by an interdepartmental committee. It

made various recommendations, later taken into account in a 1968 study to update the program.

Under the *Government Organization Act*, effective October 1, 1966, the powers, duties and functions related to employment services were transferred from the Minister of Labour to the Minister of the newly-created Department of Manpower and Immigration. Prime Minister Pearson indicated that the new department would contribute to the effectiveness of government administration in important areas of national activity in the years ahead.

This move to create a distinct manpower ministry with its own offices was consistent with the 1965 view of the Economic Council of Canada that there should be a single active agency to coordinate and control efficiently a variety of often overlapping employment services including placement, counselling, retraining and mobility. It was not, however, fully consistent with the Gill Committee view that such a sole agency to coordinate employment services, particularly at the local office level, was the essential link between the unemployment insurance plan and insured persons.

Also in 1966, the government consolidated its old age assistance, blind persons, disabled persons and unemployment assistance provisions (which had been amended over the years) into a new and expanded *Canada Assistance Plan.* In addition to providing social assistance to those who could not work, the new plan established rights of assistance on the basis of need for the working poor. At the time, it was viewed as perhaps the most significant part of a federal government plan directed at full use of human resources and the elimination of poverty. Under the plan, a wide range of assistance costs were shared by federal and provincial governments on an equal basis, subject to federal-provincial agreements. (Since that time, a number of amendments to the plan have been made to expand its scope.)

1967

Canada's centennial year was one of relative stability in terms of legislative and regulatory change in the UI program.

The *Adult Occupational Training Act (AOTA)* came into force in 1967. It was to be a cooperative program between the federal and provincial governments in which training needs were to be jointly identified. Training was to be carried out in provincial facilities. The federal government was to pay the total costs of buying training courses it agreed to finance, had responsibility for referral of clients to training and paid 100 per cent of training allowances. With this Act, the federal government's intervention in the labour market in the area of training became more significant than under the TVTA Act of 1960. Training allowances of trainees continued to be deducted from UI benefits.

1968

Amendments to the Act in 1968 were felt necessary because of changing circumstances relating to workers' earnings while off and on claim as well as the financial position of the Fund. The adjustments were made effective June 30.

- The earnings ceiling was raised to $7,800 from $5,460 a year.
- The weekly contributions were increased to 10 cents for those earning under $20 a week and to $1.40 for those earning over $100 a week.
- Maximum weekly benefits were increased to $42 for claimants without dependants and $53 for claimants with dependants.
- Allowable earnings were raised to restore maximum allowable earnings equal to one half the weekly benefits.

There was continuing pressure for adoption of more of the Gill Committee recommendations. The Honourable J. R. Nicholson, Minister of Labour, reported to the House of Commons that there was general support for many of the recommendations. He said the government was confident that legislation in the form of a comprehensive overhaul of the Act would be introduced in the next session.

While Parliamentary consideration of the 1968 legislation was taking place, the Commission was in the process of assembling a team to undertake a study for updating the program. In approaching the revision of the program, the project team assessed the purpose and significance of each component of the program from an historical, social and economic viewpoint. An overall proposal for change was designed to meet identified purposes and changing circumstances. The impact and cost of the overall proposal was analysed. A public attitude survey was also undertaken to test attitudes towards unemployment, establish the degree of public knowledge about unemployment and UI and get opinions on ways to improve the program.

1969

The scheme developed by the project team was outlined in its *Report of the Study for Updating the Unemployment Insurance Programme.* It was said to be in keeping with the government's social and economic objectives, particularly in its alleviative, curative and developmental effects. Aims of UI in this context were the relief of hardship from short term unemployment, minimizing barriers to greater output, establishing coordination with other federal programs, lessening administrative and compliance costs, ensuring maximum contribution to economic stability and providing an equitable allocation of costs.

Though emphasis on economic objectives and labour market developments was present, social objectives appeared to be of greater import. UI in the late 1960s was seen in the context of income insurance and income support programs. Some people saw the push to revamp the program as the final element in filling any remaining gaps in the Canadian social security system.

Although a number of recommendations of the Gill Committee and others were included in the proposed plan, the specifics are not considered here. The proposed scheme was in the government's White Paper, *Unemployment Insurance in the 70's,* tabled in June 1970 and will be reviewed under that heading.

Also in that year, a government working paper on the constitution entitled *Income Security and Social Services* stressed recognition of the UI program as national in scope. The paper asserted that income redistribution, the reduction of regional disparities and opportunities for workers could only be accomplished by a government responsible for the well-being of all Canadians. It also stated that the mere payment of money to the poor did not constitute federal intervention in provincial or regional approaches to social services. In other words, it described a federal government responsibility for the UI program. This is perhaps best expressed in a quotation from the paper.

> We believe the Government of Canada must have the power to redistribute income, between persons and between provinces, if it is to equalize opportunity across the country. This would involve, as it does now, the right to make payments to individuals, for the purpose of supporting their income levels—old age security pensions, unemployment insurance, family allowances—and the right to make payments to provinces, for the purpose of equalizing the level of provincial government services. It must involve, too, the powers of taxation which would enable the federal government to tax those best able to contribute to these equalization measures. Only in this way can the national government contribute to the equalization of opportunity in Canada, and thus supplement and support provincial measures to this end.

The paper substantiated the federal role in UI in relation to the nature and sources of unemployment. Unemployment was seen as the product of complex economic forces, most often national and international in character. It was felt that as long as the main instruments of economic policy fell under federal jurisdiction, so should UI. Moreover, the uneven costs of unemployment insurance between provinces meant it would be unreasonable to expect high unemployment provinces, in which UI payments were higher and contributions lower than in other provinces, to assume responsibility for UI.

The 1960s in summary X

The 1960s marked important advances resulting from the focus of Canadian social policy on improving the adequacy of income protection and social assistance together with an emphasis on increasing employment opportunities. The *Canada* and *Quebec Pension Plans* and the *Canada Assistance Plan* were directed at the former. The introduction of successive sets of new occupational training arrangements and the creation of a new manpower ministry were directed at the latter.

For UI, this decade was one of relatively greater stability than the previous two. Fewer changes were made and most of these were necessary adjustments reponding to changes in earnings and living costs. There were, however, clear signs of dissatisfaction with the program. These were manifested in the establishment and report of the Gill Committee in the early part of the decade and the project team assembled to update the program later. These important initiatives to review the entire program led to speculation that fundamental changes were in the offing.

The 1970 White Paper XI

On June 17, 1970, the Honourable Bryce Mackasey, Minister of Labour, tabled the White Paper on Unemployment Insurance in the House of Commons. The motion asked that it be referred to the Standing Committee on Labour, Manpower and Immigration.

In his introductory remarks to that Committee, Mr. Mackasey said that the review and updating of the UI program was aimed at eliminating some of the welfare elements such as seasonal benefits which had a more appropriate place in other social legislation. He said the new program was designed to be compatible with other social plans to avoid gaps or overlap with the Canada Assistance and other plans.

Mr. Mackasey pointed out that the program had been made more realistic and meaningful through fundamental changes in its design. Coverage under the new program was to be universal. It was extended to virtually all workers who could be considered employees. This would, he said, make enriched benefits and lower contributions possible.

Benefits would be substantially increased and related to the worker's income. The basic benefit rate would be 66⅔ per cent of previous insurable earnings. This was considered a fair income replacement for most claimants to meet non-deferrable expenses while unemployed. Claimants with dependants would get a 75 per cent benefit rate after a certain point in their claims. This recognized their inability to defer certain expenses after an initial period of unemployment. A wider range of benefits was also created. Not only would benefits be paid for interruptions of earnings from layoffs, but also when earnings were lost because of sickness and pregnancy. A special severance or retirement benefit would be available to insured workers who qualified for a retirement pension under the *Canada* or *Quebec Pension Plan.*

Abuse was to be reduced by making benefits taxable. In addition, contributions to the plan were to be tax deductible, to give tax relief to middle and upper income workers brought under the plan for the first time.

An important change in financing would see benefits paid when unemployment rates exceeded certain percentages. And the government's contribution would be triggered when national unemployment was over four per cent. The four per cent trigger was considered a fair starting point for the federal contribution since it was the average of national unemployment rates over the last ten years. It was felt that unemployment above this level was beyond the control of the individual employer or employee and the government should logically finance expenditures attributed to this.

In summing up, Mr. Mackasey said that the thrust of the program was to provide as much help to as many people in the work force as possible and to prevent them from falling into the welfare trap by making access to the program easier. For example, making the entrance requirement as low as eight weeks of insurable employment.

The following highlights the substantive provisions of the paper, with a synthesis of the main comments on them over the six-month course of the 36 Parliamentary Committee meetings. The highlights took into account the 53 briefs and 18 letters from organizations and individuals sent to the Committee.

Philosophy

The White Paper's philosophy had two main elements.

- A broad approach to problems of economic insecurity from which comes two basic objectives: coping with the contingency of interruption of earnings and aiding re-entry into the labour market.
- The defining of a part of the problem of economic insecurity and the use of a social insurance plan to deal with this part of the problem.

Committee discussion centered not on the overall strategy but on specific measures within it. The Committee endorsed the paper's broad approach and supported its two objectives. It also supported the principle of social insurance which it defined as compulsory, having benefits prescribed by law, including a redistribution of income that gave protection through pooling arrangements and involving a government monopoly. The Committee also recommended a review of the legislation at least every ten years.

Coverage

The White Paper proposed universal UI coverage for almost all types of employment. There were minor exceptions like casual workers earning less than $25 a week, the self-employed, nationals of other countries working for their agencies, provincial employees (unless provinces decided to cover all their employees) and other special cases.

There was concern over the use of the $25 ceiling for casual workers. Some workers would be excluded if their wages were low while others would be included with only a few hours' work. Complexities seemed to rule out any time-of-work rule. In addition, there was opposition from representatives of fishermen because of the intention to exclude self-employed fishermen. The Committee felt, however, that the needs of such groups would be best met by auxiliary programs. This was because of the validity of an arms-length relationship between employer and employee and the administrative problems caused by such coverage.

The Committee endorsed universal coverage with exclusions only for constitutional or administrative reasons. It recommended built-in regional and escalation clauses for minimum insurability. This meant that employees earning the lesser of $25 a week or a percentage of the industrial composite of average weekly wages and salaries in each province would be excluded.

Eligibility

The White Paper proposed keeping the three eligibility conditions.

- The employee must have an interruption of earnings and be unemployed.
- He or she must be capable and available for work.
- He or she must be unable to find suitable employment.

The change was that qualifying conditions were relaxed and a benefit structure involving a series of successive phases was created. The eligibility rules also took into account the kind of interruption of earnings (contingency coverage), the length of time the claimant was out of work and the general unemployment situation.

Qualification barriers were lowered to eight insurable weeks in a qualifying period of 52 weeks (from the previous 30 insurable weeks in a 104-week qualifying period). Representatives of labour supported the lower entrance requirements, welcoming the protection for new entrants in the labour force. Representatives of employers opposed it on grounds that abuses would result and that temporary and casual workers would get benefits.

The contingencies of unemployment due to sickness, maternity and retirement were also covered under the new scheme. The requirement for these was to be 20 insurable weeks in the 52-week qualifying period. Representatives of employees welcomed these provisions that recognized the hardships arising from these contingencies. Opposition to the benefits, sickness and maternity in particular, by employers' representatives focused not on the benefits *per se* but the vehicle through which they were paid. They contended that sickness and maternity benefits were not appropriate for an insurance plan, would lead to abuse and should be covered by another assistance scheme. The Committee felt that, on balance, there was no persuasive argument to show that some other program could cover these contingencies more appropriately.

Benefits

A range of benefits was proposed for a diversified clientele. The benefit structure is summarized in the table following.

It should be noted, however, that except for retirement benefits, claimants were to serve a waiting period of two weeks (up from one week under the 1955 Act). Although there was some opposition, most

Benefit Structure

Type	Identification	Eligibility	Duration	Rate	Financing
Regular Unemployment Benefit	Phase 1	20 or more employment weeks in past 52	3 weeks paid in advance after two-week waiting period Maximum 3 weeks	66⅔% of earnings with maximum of $100 a week	Employees—flat rate. Employers—experience rate. Government pays extra cost when national unemp. rate exteeds 4% (a)
	Phase 2 8-15 wks.—8 ben. wks., 16 wks.—9 ben. wks., 17 wks.—10 ben. wks., 18 wks.—11 ben. wks., 19 wks.—12 ben. wks. (2 calendar weeks allowed to draw each benefit week)	8-19 employment weeks in past 52 —available after phase 1 or as an entrance to the system	8-12 weeks in bi-weekly payments after two weeks waiting period if entering system Maximum 12 weeks	Same as phase 1	Same as phase 1
	Phase 3	National unemp. rate: 0-4% (b) predetermined at time claimant emerges from phase 2 over 4-up to 5% over 5% predetermined after 10th week	10 weeks 4 weeks 8 weeks Maximum 18 weeks	Same as phase 1 although 75% provided after 10th week with dependants	Shared by employee and employer up to 4% and full cost borne by government over 4% (a)
	Phase 4	Labour force attachment less than 20 wks.= 20 wks. = 21 to 52 wks.= (one benefit week for each two employment weeks in excess of 20 weeks) —available to claimants emerging from phase 3 who have 20 or more employment weeks in past 52 weeks	0 weeks 2 " 3-16 " Maximum 18 weeks	66⅔ of earnings if single 75% of earnings with dependants	Full cost borne by government
	Phase 5	Regional unemp. rate if regional rate (c) is over 4% and exceeds national rate by: up to 1% over 1 up to 2% over 2 up to 3% over 3% —not predetermined but available on monthly basis for	0 weeks 6 " 12 " 18 " Maximum 18 weeks Note: maximum entitlement from all phases is	Same as phase 4	Same as phase 4

Table continues

Benefit Structure (cont'd.)

Type	Identification	Eligibility	Duration	Rate	Financing
		claimants who are not eligible for phase 4 or who have exhausted phase 4	limited to 51 weeks.		
Special Unemployment Benefits	Sickness	Same as phase 1	15 weeks after two-week waiting period	Same as phase 1	Private sector but experience rating for employer applicable.
	Maternity	Same as phase 1	9 weeks before and 6 weeks after confinement after two-week waiting period	Same as phase 1	Private sector but experience rating for employer not applicable.
	Retirement	Same as phase 1	Same as phase 1 but no waiting period	Same as phase 1	Private sector but experience rating for employer not applicable.

Earnings of 25% of benefit rate allowed in phases 2 to 5.
No earnings allowed in waiting periods or in Sickness and Maternity.
Earnings ignored in phase 1 and Retirement.
Maximum benefit is $100 a week in all phases.

Determination of Unemployment Rate

(a)—Based on national annual average.
(b)—Seasonally adjusted three-month moving average.
(c)—Seasonally unadjusted—12 month moving average for the region.

groups agreed that the waiting period was needed to establish a valid interruption of earnings and was equivalent to the deductible feature on other kinds of insurance. It was felt that the waiting period was not in isolation but in relation to the structure and rate of benefits so that meeting non-deferrable expenses was considered in this larger context.

A special claimant assistance program was to be provided by the UIC at the claimant's first contact with the system. Interviews were to take place twice in the benefit stream. This segment of operations was to be separated from the benefit control function and had the support of the Committee and most other groups.

The Committee reported that links to other government services were seen as unclear in the paper. It concluded this was the reason most groups tended to be silent or support in principle the coordination of UI with other labour market and income security programs.

The wisdom of phase one benefits was challenged. Some suggested non-returnable, three-week lump sum payments were more generous than needed and that the rationale of inducing workers to find work more quickly was reprehensible, with its implication that claimants were not really looking for work. These criticisms were countered by the view that since benefits would be taxable, any disincentive effects would be minimal and that the lump sum payment would lead to reduced costs in dealing with short term claims.

The proposed benefit rates were also challenged. (The rates were 66⅔ per cent of insurable earnings for people with no dependants and 75 per cent for low income earners with dependants in all phases and for higher income earners with dependants in the extended phases.) Although based on a survey of non-deferrable expenses as a proportion of income, employer representatives generally felt that they were much higher than necessary. Employee representatives welcomed the increases as being needed to maintain a reasonable standard of income in view of the expenses of unemployment. On balance, the Committee felt that the basic two thirds rate had validity.

The new scheme was to have a number of self-adjusting features which would see insurable earnings and benefit rates escalate with annual average increases in earnings. This measure received general support.

The duration of benefits, however, did not get general support. Mainly, it was the maximum entitlement of 51 weeks which was criticized the most, particularly by employer representatives, many of whom recommended a 26-week maximum. Many groups also noted the complexity of the phase structure and persuaded the Committee to recommend that a strong information program be launched to ensure the plan would be understood by its users.

Few groups faulted the scheme for attempting to link the duration of the phases in the benefit structure with the objective constraints of the job search (phase one). They also supported the accumulated credits of employees (phases two and four) and national and regional circumstances (phases three and five). The validity of using unemployment rates for altering benefit entitlement was raised by one group (the Canadian Labour Congress). In response, the advantages of the appropriateness of varying benefits based on national and regional unemployment conditions were emphasized.

The three-week lump sum retirement benefit for people between 65 and 70 years of age who had qualified for a Canada or Quebec Pension was criticized. The grounds were that if help were needed to make the transition from work to retirement, this form of benefit was not a valid form of interruption of earnings. It was agreed, however, that one could not fairly exclude workers aged 65 to 70 from benefits if they were ready, willing and able to work. They also agreed on the merit in having the payment tide workers over until the start of CPP or QPP.

Financing

The White Paper proposed a tripartite financing of the program quite different from previous arrangements.

- Employees would pay a flat rate premium, adjusted each year on the basis of overall benefit payments.
- Employers would pay 1.4 times the basic employee rate. They would be experience rated if they had an annual insurable

payroll over $78,000. (The employer's rate would relate to the average yearly layoff experience.)

- Private sector premiums would finance all sickness, maternity and retirement benefits, the cost of administration and regular benefits in phases one and two attributable to a national unemployment rate of up to four per cent.
- The government would bear the cost of all labour force, national and regional extended benefits and regular benefits in phases one and two attributable to a national unemployment rate over four per cent.

The burden of private sector financing of the program when unemployment was less than four per cent was seen as an additional burden on employees and employers. The use of the four per cent figure as a benchmark was apparently not fully appreciated and those who criticized it felt that the government should be shouldering a larger portion of the burden.

Experience rating was keenly discussed. Some employee organizations favoured it but others, such as the Canadian Labour Congress, felt that it was neither equitable nor conducive to promoting stable employment patterns. Similarly, some employer representatives viewed the principle as sound but others, such as the Canadian Manufacturers' Association, recommended it not be adopted because it would hit hardest those companies already having difficulty, further hurting the job-creating capacity of Canadian industry. There was also some confusion about the relationship between the distribution of costs under the experience rating of employers versus the mechanism to allocate overall costs between employers, employees and government. These concepts were sometimes linked when they were in reality quite distinct. The successful experience in the U.S. was cited as one of the main advantages of the principle and other side effects, both good and bad, were noted.

The fact that benefits were to be taxable and contributions tax deductible was seen as a reflection of the Carter Commission proposals on tax reform. This was not commented on in depth during consideration of the White Paper by the Committee.

On balance, the Committee supported the financing principles in the White Paper.

But the UI White Paper was not the only White Paper of 1970. Following a federal government review, *Income Security for Canadians* was published at the end of 1970. It advocated increased concentration of income maintenance measures on those with lowest incomes. Three ways to achieve this were proposed:

- the replacement, where possible, of universal benefits with selective benefits based on income,
- the expansion of social insurance programs in those areas where alleviation or prevention of poverty could be achieved,
- an examination with the provinces of a number of the basic issues underlying the provision of social assistance with a view to improving the adequacy of that series of programs.

The UI Act, 1971 XII

Bill C-229, embodying the provisions of the UI White Paper, was introduced early in 1971 by the government and given Royal Assent in June. The benefit provisions came into force on June 27, 1971. Existing benefit periods were allowed to continue but were gradually phased out over time. The new, universal coverage provisions came into force on January 2, 1972.

Much of the substantive discussion on the principles of the 1971 legislation took place during consideration of the White Paper. Only the new elements of rationale and substantiation not previously mentioned will be mentioned here. The main provisions of the new Act and its regulations will also be described in a way which minimizes repetition but which gives added detail where necessary and which identifies differences between the White Paper and the legislation.

In his remarks on Second Reading of Bill C-229, Mr. Mackasey stressed that UI was never intended to deal with the problem of chronic unemployment. He said its main purpose was to assist people out of work temporarily and facing the problem of insufficient income during unemployment. He called universality the cornerstone of the new legislation. Benefit rates were to be increased to cope with increases in the cost of living. The benefit structure had been designed on a sound insurance basis. The national and regional extended phases in particular were intended to insure the probability of re-entering the work force by taking account of national and regional economic conditions. The seasonal benefits of the 1955 Act would be unnecessary in view of the relaxed entrance requirements. The Minister also noted that in various discussions including those with the provinces, there had been no basic disagreement with the philosophy underlying the plan. He urged Parliamentary support for the legislation embodying the White Paper proposals.

The balance of Parliament's study of the new legislation focused on understanding the translation of the White Paper principles into legislation and the application of the new legislation in practical terms. There appeared to be two main reasons for this. The first, as mentioned, was that many of the fundamental questions had been dealt with in the discussions of the past year. The second was the realization that the wide scope and novel approach of the White Paper created a more comprehensive Act with new intricacies and interrelationships among its provisions. For those reviewing the new Act, it was a test of ability to understand how it would work.

Views of associations and representatives were seen to be consistent with those presented earlier on the White Paper. A variety of technical amendments in the drafting of the legislation were also

made to clarify or eliminate anomalies in the provisions and amend powers under the Act in non-substantive ways.

Here are the main provisions of the new plan as approved by Parliament.

Coverage

Insurability under the new legislation was extended to all people who worked in an employer-employee relationship. The exceptions were the marginally attached, those who could control their own employment, those getting CPP or QPP or people over 70 years old. (A complete list of inclusions and exclusions under the Act and the initial regulations is in Appendix C.) The minimum insurability floor became, by regulation, the lesser of

- one-fifth of the maximum insurable earnings, or
- twenty times the applicable provincial minimum wage.

People earning less than this minimum in a week did not pay premiums or get credit for an insurable week. The $7,800 earnings ceiling was replaced with a provision to insure the first $150 a week, to be adjusted annually with increases in average wages and salaries.

Although the White Paper indicated self-employed persons would not be covered, self-employed fishermen continued to be insurable. Their UI coverage was to end when plans being developed to protect them from the uncertainties of the fishing industry were ready for implementation.

Together, these changes brought under the scheme a number of categories not previously covered. Notable among these were teachers and civil servants, since the traditional stability of these jobs could no longer be taken for granted. To ease the immediate financial burden for people in these occupations and their employers, preferred contribution rates were created and increased annually until they were paying the regular premium in 1975. This special provision did not apply to people who began to work in these newly-covered categories after the new Act came into force in 1971.

As a result, about 96 per cent of the paid labour force excluding the self-employed was in insurable employment under the new program. This was a considerable increase from the 80 per cent level of coverage which had existed in 1968.

As mentioned before, the Act recognized, for the first time, the contingencies of interruptions of earnings due to illness, injury, quarantine, pregnancy and retirement. It authorized payment of benefits to claimants in these situations, as well as those who had interruptions of earnings from involuntary unemployment.

Contributions

Under the new Act, the Minister of National Revenue would be responsible for the collection of premiums and the administration of

insurability provisions. As a result, National Revenue/Taxation provided contribution tables to employers for the purpose of remitting premiums under both the *Canada Pension Plan* and the UI program.

The employee contribution (premium) rate for 1972 was set at 90 cents a week for each $100 a week of insurable earnings. The employer contribution (premium) rate was 1.4 times the employee rate. As noted, preferred rates of contribution for people covered under the new plan for the first time were established. These rules allowed newly-covered employees and their employers to pay 40 per cent of the regular rate in 1972, 60 per cent in 1973, 80 per cent in 1974 and the full rate in 1975.

The striking of the premium rates and the determination of the maximum insurable earnings is considered later in the section on financing. It is noteworthy, however, that the new uniform scale of premiums based on a percentage of insurable earnings replaced the concept of earnings classes and the different proportions of contributions between employees and employers, characteristic of both the 1940 and 1955 Acts.

The UI contributions operations were phased out and the use of employee's books of stamps was stopped. Instead, the new plan envisaged the use of a Separation Certificate which would be given to the departing employee by the employer. The employee would then attach the certificate, confirming the reason for the interruption of earnings, the insurable earnings in the qualifying period and money paid to the employee at or after separation, to the claim for benefit.

Eligibility requirements

To qualify for benefits under the new scheme, the insured worker had to meet two basic requirements:

- eight or more insurable weeks in the qualifying period, and
- an interruption of earnings from employment.

The qualifying period was the shorter of the period of 52 weeks before the establishment of a benefit period or the period since the last benefit period began. The interruption of earnings generally occurred when, after a period of employment with an employer, an insured worker had a layoff or separation from employment, resulting in seven or more consecutive days without work or earnings. When stopping work was because of illness, injury, quarantine or pregnancy, an interruption of earnings occurred when weekly earnings dropped below two thirds of the worker's normal weekly insurable earnings. This latter trigger for the interruption of earnings corresponded to the basic benefit rate under the new plan which was based on the percentage of earnings directed to non-deferrable expenditures.

In addition to the basic requirements, there were special requirements when the interruption of earnings was due to sickness, maternity or retirement. For these claimants, 20 weeks of insurable

employment in the qualifying period were required instead of eight. This gave rise to two basic groups of claimants, those with from eight to 19 weeks of insurable employment (minor attachment claimants) and those with 20 or more insurable weeks (major attachment claimants). Only major attachment claimants were felt to have sufficient labour force attachment to qualify for sickness, maternity and retirement benefits.

Maternity benefit claimants also had to demonstrate that a minimum of ten of their insurable weeks were from the 20-week period between the 31st and 50th weeks before the expected date of birth. This was to ensure that pregnant women did not enter the labour force solely for the purpose of drawing maternity benefits. It became known as the "magic ten" rule.

There were also different qualifying requirements for self-employed fishermen. Year-round fishermen needed 20 weeks of insurable employment in fishing and non-fishing employment if they could not qualify with eight weeks of non-fishing insurable employment. Seasonal fishermen, other than year-round fishermen, needed at least eight fishing and non-fishing insurable weeks to qualify if they could not qualify with eight weeks of non-fishing insurable employment.

Benefits

Once qualified for benefits, claimants had to serve a two-week waiting period, beginning with a week in which benefits would otherwise be payable. Benefits were payable if claimants proved that they were unemployed, capable of and available for work and unable to find suitable employment. These latter two requirements were waived for claimants receiving sickness, maternity or retirement benefits or regular benefits while taking Commission-approved training.

As outlined in the White Paper, benefits were taxable. The benefit rate for claimants without dependants was 66⅔ per cent of previous insurable earnings. For those with dependants it was 75 per cent of insurable earnings. The 75 per cent was paid to all claimants in the extended phases and to claimants with insurable earnings equal to or less than one third of the maximum insurable earnings in all benefit phases. The maximum weekly rate for claimants with dependants, however, could not exceed two thirds of the maximum insurable earnings level for the year. In addition, a minimum benefit rate of $20 a week was set out in the Act.

The definition of a claimant with a dependant was contained in the regulations and was broadly consistent with its forerunners in the 1955 and 1940 Acts. The main parts of these earlier descriptions of people with dependants had been contained in the statute but the definition for the new legislation was embodied completely in the regulations. (Appendix D contains the text of the definition used from 1972 on.)

One aspect not highlighted in the White Paper discussions was the calculation of the benefit rate. The 1971 legislation said that the benefit rate for major attachment claimants was to be based on average insurable earnings in the most recent 20 weeks of employment. Minor attachment claimants had their rate based on average insurable earnings from all weeks in the qualifying period.

The benefit structure was described in the legislation as a series of benefit periods through which claimants proceeded. There were important differences from the White Paper approach and additional elements not previously articulated.

Phase one was the initial benefit period in which a range of from eight to 15 weeks of benefits was available in a period of from 18 to 29 weeks as shown in the table.

Initial benefits

Weeks of insurable employment in qualifying period	Length of initial benefit period	Maximum number of weeks for which initial benefits may be paid
8 to 15 weeks	18 weeks	8 weeks
16 weeks	20 weeks	9 weeks
17 weeks	22 weeks	10 weeks
18 weeks	24 weeks	11 weeks
19 weeks	26 weeks	12 weeks
20 or more weeks	29 weeks	15 weeks

The period was longer than the number of benefit weeks payable because it included the two-week waiting period and allowed claimants to work for a number of weeks in this first phase without automatically losing benefits.

This was also the only phase in which sickness and maternity benefits were payable. Major attachment claimants who had an interruption of earnings because of illness, injury or quarantine and had a medical certificate as proof, could receive up to 15 weeks of sickness benefits. Medical yardsticks were used to set out the number of weeks of UI benefits payable for specific illnesses and disabilities. The 15-week maximum was based on an examination of the availability of sickness benefits in the private sector and other countries, and discussions with representatives of the medical profession.

Up to 15 weeks of maternity benefits were available for women with 20 or more insurable weeks who met the magic ten rule and left the labour force to give birth and care for their newborn infants. These benefits had to be drawn in a 15-week period starting eight weeks before the week in which birth was expected and ending six weeks after birth actually occurred. They also had to be the first 15 weeks of benefits in the claimant's initial benefit period.

The three-week advance payment (phase one of the White Paper proposals) payable to major attachment claimants became part of phase one in the legislation. The first two phases in the White Paper were collapsed into one phase in the legislation. Qualified claimants who had been laid off due to shortage of work, were not expected to be recalled for at least five weeks, had served their waiting periods and were not disqualified or disentitled, were paid three weeks of benefits without proof of capability, availability or inability to obtain suitable employment. This provision was rooted in the belief that such a payment with few strings attached would be an encouragement to the major attachment claimant to find work by the end of the fifth week on claim and contribute to reduced administrative and benefit payment costs.

A final note about phase one initial benefits was that the combined total of sickness, maternity and regular benefits could not exceed the maximum 15 weeks of benefits available in this phase. Even with this restriction, the availability of benefits, particularly sickness and maternity, was viewed by the government as fair, equitable and of sufficient flexibility, given their newness in Canada.

Phase two was the re-established initial benefit period. Once claimants had drawn their entitlement in phase one, their benefits were automatically re-established for a further ten weeks if they were still unemployed. This phase was not contained in the White Paper, but the ten weeks of benefits were transferred from the national unemployment rate phase (three) of the White Paper to this new phase to ensure that all claimants would have enough entitlement to benefits in the two initial benefit phases.

Phase three in the legislation was the labour force extended benefit period. Minor attachment claimants were not entitled to this phase, but major attachment claimants were entitled to benefits as shown in the table.

Labour force extended benefits

Weeks of insurable employment in the qualifying period	Extended benefit period
20 weeks	2 weeks
21 or 22 weeks	3 weeks
23 or 24 weeks	4 weeks
25 or 26 weeks	5 weeks
27 or 28 weeks	6 weeks
29 or 30 weeks	7 weeks
31 or 32 weeks	8 weeks
33 or 34 weeks	9 weeks
35 or 36 weeks	10 weeks
37 or 38 weeks	11 weeks
39 or 40 weeks	12 weeks
41 or 42 weeks	13 weeks
43 or 44 weeks	14 weeks
45 or 46 weeks	15 weeks
47 or 48 weeks	16 weeks
49 or 50 weeks	17 weeks
51 or 52 weeks	18 weeks

The two weeks of benefits paid in this phase to claimants with 20 insurable weeks, for example, were paid in a two-week period. In the White Paper, this was phase four. It was reversed in the legislation so it preceded the national extended phase. The reversal ensured that the phases in which benefits were paid on the basis of labour force attachment were together and followed by the phases paying benefits on the basis of unemployment rates.

Phase four in the legislation was the national extended benefit period. Four weeks of benefits were paid in a four-week period if the national unemployment rate was over four per cent and up to five per cent. Eight weeks of benefits were paid in an eight-week period if the national unemployment rate was over five per cent. This phase provided benefits in recognition of the difficulty in finding employment on the basis of the national unemployment situation.

A three-month moving average of national unemployment rates, seasonally adjusted, was provided by Statistics Canada and used to determine entitlement to benefit in this phase. Entitlement was changed monthly to reflect changes in the moving average.

The regional extended benefit period was phase five in the legislation. As outlined in the White Paper, 6, 12, or 18 weeks of benefits were paid to claimants when their regional rate of unemployment exceeded the national rate of unemployment by over one per cent up to two per cent, over two per cent up to three per cent and over three per cent respectively. This phase recognized the difficulties claimants would have in finding jobs when the unemployment rate in the region where they lived exceeded national unemployment conditions.

Sixteen regions, based on the Statistics Canada Labour Force Survey boundaries, were established for the purpose of benefit payment in this phase. A 12-month, unadjusted moving average of the unemployment rates of these regions was provided by Statistics Canada and entitlement was changed monthly to reflect changes in the moving average.

The five phases together yielded a maximum of 69 weeks of benefits in an 83-week period. But the legislation specified that a maximum of only 51 weeks could be paid.

The only exception to the legislated maximum was for claimants taking training to re-enter the labour force. The benefit periods of claimants taking institutional training under the *Adult Occupational Training Act (AOTA)* were extended until training was completed or the claimant, with cause, left training. In the training period, the claimant received a training allowance. This was deducted from regular UI benefits. In effect, the UI payment became a "top-up" to the training allowance. After training, claimants who did not get jobs immediately were entitled to the benefits of a minor attachment claimant, starting at phase two (re-established initial benefit period). This made it possible for AOTA trainees to have much longer entitlement than other claimants. Claimants taking Commission-approved, provincially-sponsored institutional training courses were entitled to a UI top-up but no extensions. (Other extensions of

benefit and qualifying periods under the 1955 Act for claimants involuntarily out of work did not reappear in the 1971 legislation.)

These training arrangements, together with the Claimant Assistance Program mentioned earlier, were the active links between the UI program and the labour market. They were designed to help claimants return to stable and rewarding employment.

It is noteworthy that the three-week, lump sum retirement benefit did not involve the benefit structure directly since a benefit period was not established and the waiting period was not served.

The benefit structure also did not always apply to self-employed fishermen, though it did apply to year-round fishermen. Seasonal fishermen had one benefit period from December 1 to May 15 in which they could get five weeks of benefits for every six weeks of insurable employment. This was clearly a carry-over from the 1955 seasonal benefits provisions.

Two other important provisions not mentioned in the White Paper but included in the legislation, affected benefit entitlement. Though not immediately implemented, one stipulated that the re-established initial benefit period of a claimant would automatically terminate if no benefits were paid for a period of four consecutive weeks. Exceptions were if the claimant was fully employed, sick, not entitled during the maternity period or because an overpayment was being liquidated. The other similar provision applied to the extended benefit periods, the difference being that full employment could result in termination of benefits. Although it was asserted that the rules would encourage claimants to return to employment in the latter stages of their claims, the reasoning behind this was not made clear. One view expressed was that the rules would make UI more self-regulating, i.e. if claimants could work four weeks in the latter stages of their claims, they presumably did not need continued protection under the program. (When the necessary systems and administrative arrangements had been made, these provisions became operable and were known as the "four week" rules.)

In addition to these provisions, there were several others relating directly to the benefit structure and benefit entitlement. Some related to earnings while on claim. Earnings in the waiting period, for example, were deducted dollar for dollar from the first three weeks of benefits. Earnings other than in the waiting period were deducted dollar for dollar from benefits, but only when they exceeded 25 per cent of the benefit rate. This was approximately half of the allowable earnings permitted under the 1955 legislation but was proposed as adequate since the maximum benefit rate had almost doubled to $100 a week from $53 a week. It was designed to encourage part-time earnings but not discourage a claimant's return to full-time employment. Other rules saw earnings such as vacation pay, severance pay, bonuses and gratuities, wages in lieu of notice, temporary total workers' compensation and group wage loss insurance continue to postpone the start of a benefit period or reduce benefits.

Provisions on disqualifications were also changed. In the 1955 Act, a variety of claimant actions and rules in the legislation resulted in disqualification from benefits for up to six weeks. In the 1971 Act, only these actions, if taken without just cause, resulted in disqualification:

- voluntarily leaving employment,
- loss of employment for misconduct,
- refusal to apply for or accept suitable employment,
- neglect to take an opportunity for suitable employment,
- failure to carry out any written direction of the Commission given to assist the claimant to find suitable employment,
- failure to attend a claimant assistance interview,
- failure to attend a course of instruction or training to which the claimant was referred by the Commission.

The period of disqualification was reduced to a maximum of three weeks and a week of disqualification was now considered a week of benefits paid. Previously, it had only resulted in a postponement of benefits.

The remaining disqualifications under the 1955 Act, together with a number of new ones required by the widened scope of the new legislation, were placed in a new legislative category of penalty called the disentitlement. The disentitlement was a postponement of benefits for a definite or indefinite period until the condition giving rise to it no longer existed. An example of a definite disentitlement under the 1971 legislation was a disentitlement for pregnancy under section 46. Under this section, a pregnant claimant who could not qualify for maternity benefits was automatically disentitled for the period beginning eight weeks before the expected week of birth to six weeks after birth occurred. This section was added to the legislation to ensure that regular or sickness benefits could not be paid in the same period as maternity benefits. Examples of indefinite disentitlements related to proof of availability and capability. A claimant who did not prove availability for and capability of work was indefinitely disentitled from benefits until he or she furnished the necessary proof.

The significant difference between disqualifications and disentitlements was that disqualifications always resulted in both postponement and loss of entitlement. Disentitlements always resulted in postponement of benefits but not necessarily a loss of benefit weeks. (Because the length of a claimant's initial benefit period could be longer than the number of weeks of benefit entitlement, a disentitlement imposed in this phase resulted in postponement of benefits until the number of initial benefit weeks equalled the number of weeks of entitlement remaining. Beyond this and in all other benefit phases, the disentitlement resulted in both postponement of benefits and loss of entitlement.)

Financing

The White Paper discussions did not emphasize the replacement of the Unemployment Insurance Fund with a new account in the accounts of Canada, called the Unemployment Insurance Account. Premiums, fines, penalties, overpayments, repayments and sums for services rendered to other departments were paid into the Consolidated Revenue Fund (CRF) and credited to the UI Account. Amounts paid as UI benefits and the costs of administration of the Act were paid out of the CRF and charged to the UI Account. The government cost of paying UI benefits for the calendar year was paid out of the CRF.

If the amount in the UI Account was insufficient to meet the benefit and administration costs, the Minister of Finance could authorize an advance from the CRF of no more than $800 million at any one time to the UI Account. Any advance would have to be repaid to the CRF with interest and under conditions prescribed by the Minister of Finance.

These arrangements altered the financing of the program from a cumulative approach to a current basis. The implication of this was that the economic stabilization effects of the program were reduced. This arose because within certain limits, expenditures under the UI program would have to be financed on a cash basis with less opportunity for covering heavy expenditures from one year with accumulated reserves from other years.

Under the 1971 legislation, employer and employee premiums financed

- regular benefits in the initial and re-established initial benefit periods attributed to a national unemployment rate of up to four per cent,
- all sickness, maternity and retirement benefits,
- the cost of administering the Act.

The government, on the other hand, financed

- regular benefits in the initial and re-established initial benefit periods attributed to a national unemployment rate over four per cent,
- all labour force, national and regional extended benefits,
- all regular benefits paid to claimant/trainees granted extensions in benefits after approved training,
- benefits for self-employed fishermen (premium revenues collected for insurable employment in fishing were credited to the CRF and all fishermen's benefits were charged to the CRF).

Of critical importance to the new financing was the setting of the premium rate. In general, the legislation required the Commission, subject to Governor in Council approval, to fix annually employer and employee premium rates. In the absence of an expected deficit or surplus in the UI Account at year end, the combined employee and

employer premium rate would be the ratio of the average employee/employer cost of benefit to the average total insurable earnings over a specified three-year period. However, when this combined employee/employer premium rate was expected to leave the Account with a surplus or deficit at the end of that year, the Commission was required to modify the average employee/employer benefit cost over the three-year period to reduce or remove the deficit or surplus, provided the modification was approved by the Minister of Finance.

A factor taken into account in setting premium rates was the annual determination of maximum insurable earnings. For 1972, it was $150 a week. For years following this, it was modified by multiplying it by an earnings index. The earnings index for a particular year was the ratio that employees' average earnings for that year bore to employees' average earnings for a base period which eventually spanned eight years. This was perhaps one of the most interesting features of the new plan because it allowed automatic indexing of maximum insurable earnings and maximum benefit rates in response to changes in employees' average earnings without further amendment to the Act.

The Act stipulated that the employers' premium rate would be 1.4 times the employee's premium rate unless another employer rate was provided through experience rating. The legislation gave the Commission authority to make regulations for a system of experience rating. The provisions stipulated that layoff experience in relation to those who voluntarily quit without just cause, voluntarily left because of pregnancy or retirement, lost their jobs through misconduct, were students or other persons described in the regulations, would not be taken into account in the system. The White Paper had indicated the government's intention to proceed with implementation of such a system in 1974.

A premium-related provision not in the White Paper but included in the legislation was wage loss replacement plans. To recognize the number of private sector insurance plans paying benefits to employees out of work because of illness, a provision in the Act authorized UI premium reductions for employers with such plans. If an employer had a sickness or maternity wage loss insurance plan that would reduce UI benefits payable to insured workers, was registered with the Commission, and met certain criteria, a specific premium rate reduction was granted. Employers getting a reduction had to pass on at least 5/12 of the reduction to their employees in cash or in the form of additional fringe benefits. (An employer with a premium rate 1.4 times the employee rate would in effect assume 7/12 of the combined employer/employee premium cost. Employees would assume 5/12 of the combined cost.)

Revised provisions stipulated that the accounts and financial transactions of the Commission would be audited by the Auditor General of Canada. This, together with the Annual Report of the operations and state of the UI Account were to be laid before Parliament annually.

Organization and administration

Although there were no significant changes in the organizational structure of the Commission or the Advisory Committee, new measures were included in the 1971 Act to help administer the new plan. Among these were provisions relating to premium collection, claims taking, reconsideration of claims, assignment of benefits to welfare agencies when welfare payments were made and UI benefits were later paid for the same period, and a new Social Insurance Number system to register workers in insurable employment. Many administrative provisions of the Act were carried over into the new legislation with little modification. These included, among others, the sections dealing with overpayments of benefits, penalties, offences, the dual-level appeal system, labour disputes and reciprocal agreements for payment of claims outside Canada.

The new legislation also conferred upon the Commission more and wider regulation-making powers than any previous UI legislation. New regulatory powers included the authority to define and determine when an interruption of earnings occurred, establish regions, delineate boundaries and determine residence for regional extended benefits. The Commission could also average the unemployment rates used to pay extended benefits and prescribe the proof required for illness, injury, quarantine or pregnancy.

A new regulatory power was included to permit the imposition of additional terms and conditions for the payment of benefits and to restrict the amount or period of benefit for people working in an industry or occupation in which the Commission determined that there is, by custom or contract of employment, a repetitive annual period when no work is performed. Resembling the powers contained in the 1940 legislation which were used to restrict benefits for seasonally-employed workers in their off-season, the new authority was used to avoid paying benefits to employed teachers and professional athletes in their annual off-period. (The regulations used for this purpose for teachers over the balance of the decade are in Appendix E.)

The treatment of teachers under the new legislation was exactly the opposite of that of self-employed fishermen. Continuation of the special program for self-employed fishermen required a complicated set of regulations designed to pay benefits in their off-season. These regulations, as they were at the time the modified arrangements were implemented, are in Appendix F.

Though there are other details of the new scheme, the foregoing represents a description of the main design features of the 1971 Act.

Developments after 1971 XIII

1972

Beginning on January 28, 1972, the powers, duties and functions of the Minister of Labour under the UI Act were transferred to the Minister of Manpower and Immigration. Responsibility for the collection of premiums and decisions on insurability stayed with the Minister of National Revenue.

The first full year of implementation of the 1971 Act proved challenging. The Commission recognized the difficulties of maintaining claims under the 1955 legislation in parallel with the new computerized benefit pay system used for the 1971 legislation. In addition, increased claims volumes required additional personnel resources and a more decentralized administration of the program. This gave rise to problems in speed of service on claims. While the average unemployment rate fell from 6.4 per cent in 1971 to 6.3 per cent in 1972, benefit payments more than doubled from $891 million in 1971 to $1868 million in 1972. As a result, the end of 1972 was marked by increasing stress on the quality and speed of service to claimants and control of misuse under the program.

In 1972, important changes were made in the *Adult Occupational Training Act*. Chief among these was the change in the eligibility requirements. The stipulation of three years in the labour market was replaced by a provision requiring prospective trainees to be out of school only one year to be eligible for training and allowances under that Act. In addition, a basic training allowance of $45 a week was introduced. (UI-eligible trainees were generally paid training allowances of $55 or more if they had dependants and these were topped-up by UI benefits. The training allowances were adjusted annually with changes in average wages in the manufacturing sector.)

1973

Early in 1973 it became apparent that, with the cost of paying benefits under the new Act, the $800 million ceiling on advances from the CRF to the UI Account—permitted under the Act's financial provisions—would soon be surpassed. On January 17, 1973, the Honourable Robert Andras, Minister of Manpower and Immigration, introduced Bill C-124 amending the Act to remove the ceiling and stipulating that advances were not to be considered appropriations granted to the Commission.

In his remarks on the Bill, Mr. Andras said that the imposition of a ceiling on advances in the 1971 legislation had been unfortunate. At that time, Parliament felt that it could provide a measure of control

over program costs. This had not proven to be the case, however, in view of the difficulty in accurately forecasting the total government program cost because of its dependence on national and regional unemployment rates.

Mr. Andras cited three reasons for advances.

- When the employer/employee premium revenue in a calendar year is insufficient to cover its share of UI benefit and administration costs, an advance is generally needed to cover the deficiency.
- Additionally, the amount of premiums depends on the levels of employment and unemployment. This creates weekly fluctuations in the Account, requiring advances at various times.
- The government share of costs (paid when the national unemployment rate exceeds four per cent) is not actually paid until the April following the end of a calendar year and the cash requirement must be covered during this period.

Despite criticism of the escalating cost of the program, Bill C-124 was given quick passage. It came into effect on February 8, 1973, the day on which the Commission would have run out of funds to pay UI benefits.

Mr. Andras also introduced a second Bill in 1973. Bill C-125 was an attempt to tighten the administration and curb perceived abuses in the program. The amendments would have required people who had voluntarily left employment without just cause, lost employment by reason of misconduct or failed to apply for or accept suitable employment, to work additional insurable weeks before being qualified for benefits. No initial benefit period would be set up for these people until they had been in employment for eight or more insurable weeks after their jobs had ended. In other circumstances, claimants with benefit periods could be disqualified for up to eight weeks rather than the then current maximum of three weeks. The Commission was also to have been empowered to make regulations for determining when claimants were capable and available for work and what constituted suitable employment.

The employer community favoured more stringent disqualification provisions. But the Bill was considered unacceptable by a number of Members of Parliament and employee representatives at a time when continuing difficulties in receiving benefits were being experienced by those with legitimate claims. The government, then in a minority position in the Commons, withdrew the Bill on October 29, 1973.

In April, the government embarked on a federal-provincial Social Security Review with the publication of its *Working Paper on Social Security in Canada* which came to be known as the Orange Paper. Its aim was to develop the broad policy directions leading, in the government's view, to effective coordination of Canada's social security system. It arose from growing dissatisfaction with the extent of measures to deal with poverty, pressures to develop better consultation and to unsnarl the jurisdictional tangle in the social policy and program arena.

A number of problems were targeted for review:

- the limitations of using macroeconomic policies to correct high unemployment and of building the social security system on the assumption of full or nearly full employment,
- the inadequacy of income from employment particularly in large families,
- the lack of incentives to get off social assistance,
- the wide variation in benefit levels under different programs and in different jurisdictions,
- the inadequate contribution rates and payout in social insurance, particularly CPP and QPP,
- the overall lack of coordination in the income security area,
- the stigma attached to social assistance,
- the real or perceived abuses of the system by clients.

The paper outlined several policy ideals relevant to social insurance.

> For people who are of working age, and able to work, there would be employment at at least a living wage. To ensure that a living wage is paid, the state would legislate a minimum wage. If the minimum wage were sufficient to support small family units only, income supplements would be availabe to meet the costs of child-raising in larger families whose incomes fell at or near the minimum wage.
>
> To meet the contingencies of life—temporary unemployment, sickness, injury, and disability—and to provide for retirement, everyone would save a portion of his or her income, and contribute these savings to an insurance plan. The basic insurance plan and insurance above these basic levels would be provided for privately. To meet large and unforeseen expenditures, such as medical and hospital bills, special or universal hospital and medical insurance plans would be established by the state.
>
> If someone somehow failed to receive an adequate "income through employment" (with supplementation of family income for low income earners), or "income from savings" (social insurance), additional income support measures would be available.

The framework through which the problems were to be solved and the ideals realized involved five strategies: community employment, social insurance, income support and supplement, social and employment service and federal-provincial relations.

It was the social insurance strategy which made an important comment on the role of unemployment insurance in the social security system during the 1970s:

> ...temporary losses of employment income would be met through social insurance plans, and other private arrangements—whether the losses of income were due to short-term unemployment, sickness, accident or maternity.
>
> Similarly, provision for retirement, whether by reason of age or disability, and for survivors in the event of death, would be made through social insurance plans, supplemented by private pension arrangements.

> Social insurance plans of this kind already exist: the Workmen's Compensation plans (providing against losses of income, whether of short or long duration, due to industrial accidents); the Unemployment Insurance Plan; and the Canada and Quebec Pension Plan. It remains to affirm our view that such plans should be the first line of defence against unforeseen losses of income...

Among the questions identified for consideration in the review was how benefits from social insurance plans would be treated under an income support and supplementation scheme.

Over the period of the review from 1973 to 1978, the social environment resulting from the expansive social changes of the late 1960s and early 1970s, including unemployment insurance, had become worrisome. In this climate of uncertainty, agreement on an overall scheme of support and supplementation could not be reached. But a number of important changes were made to family allowances, old age security, the guaranteed income supplement CPP and QPP. These and other highlights are described in the years in which they occurred.

During the balance of the year, a number of changes and developments occurred in various aspects of the UI program. For example, the UI teachers' regulation of 1972 limiting the period in which benefits were paid to teachers was amended in June. The new regulation had the effect of allowing benefits to be paid in a non-teaching period in such cases as termination of a contract for teaching in advance of the summer off-period and where the employment had been as a casual or substitute teacher. (See Appendix E.)

Late in 1973, the Commission introduced new requirements for employers reporting employees' insurable weeks and earnings and the circumstances of interruptions of earnings. A new Record of Employment system (effective in 1974) replaced the Separation Certificate. With this new system came much needed controls on issuing the form and more information needed for administration and abuse detection.

With systems arrangements completed, the four week rules mentioned earlier were also implemented. In addition, due to perceived overlaps in the responsibilities of Canada Manpower employment counsellors and UI claimant assistance officers, the special UI Claimant Assistance Program was discontinued.

By the end of 1973, benefit payments topped $2 billion. The year-end cumulative deficit of the UI Account, which had been $152 million in 1972, grew to $502 million. This occurred despite an increase in the employee premium rate from 90¢ per $100 of weekly insurable earnings to $1.00 at the beginning of 1973 and a reduction in the average unemployment rate to 5.6 per cent for the year as a whole.

1974

Effective January 1974, the UI basic premium rate increased to $1.40 per $100 of insurable earnings. Maximum insurable earnings, which had been $150 a week in 1972 and $160 a week in 1973, also increased to $170 in 1974.

Also effective in January, the *Canada Pension Plan* earnings ceiling was raised and benefits began to rise with the Consumer Price Index. Other legislation also increased the monthly family allowance to $20 a child, subject to further annual adjustments in the Consumer Price Index.

The Commission cited its major objectives as providing more efficient and personal service while protecting the integrity of the program. Work began in the summer on a long term review of policy and legislation.

In the fall, the Commission engaged a consultant to undertake the first public opinion survey since the 1971 legislation had been implemented. Its purpose was to determine present attitudes toward the program and more specifically whether the new legislation had resulted in any changes in attitude. The main findings of the survey revealed that most Canadians felt the program to be acceptable in fulfilling a basic social need but that changes were necessary. Concerns about widespread abuse expressed by one third of survey respondents together with the ease with which people could get benefits were seen to point to a program which was tougher to qualify for and officials who were tougher on misusers.

On December 16, the Federal Court of Canada, responding to an appeal by the Alberta Teachers' Federation, declared the 1973 teachers' regulation invalid. The reason given for declaring the regulation *ultra vires* was that it was not a valid exercising of the powers conferred by paragraph 58(h) of the Act (the authority under which the regulation was made). While paragraph 58(h) authorized the imposition of additional terms and conditions for payment and receipt of benefits and restricted the amount or period of benefit for teachers, it did not, in the Federal Court's view, permit the prohibition of benefit payments in the non-teaching period.

By the end of the year, benefit payments had increased to $2.1 billion and the average unemployment rate had declined further to 5.4 per cent. At year-end, the cumulative deficit in the UI Account was down to $418 million. Because it was expected that the cumulative deficit would further decrease in 1974, the Commission decided not to change the premium rate. Maximum weekly insurable earnings, however, increased to $185.

1975

Beginning in January 1975, the *Canada Pension Plan* became automatically payable after the contributor's 65th birthday. Before this, payments were made automatically to all persons 70 years of age and over but only to people over 65 if they were no longer working.

In the annual report released that year, the Commission noted the mandate of the UI program as being twofold: to offer temporary income support to unemployed workers while they found new jobs and to assist the unemployed in becoming reabsorbed into the labour

force as quickly as possible. This restatement of the objectives of the program was the first in an annual report since the new legislation had been considered in 1970 and 1971.

The Commission had also been stepping up administrative control measures. The regular benefit control program, involving investigation of UI claims on the basis of referral by the Commission's insurance officers, third party reports, and the notification from Canada Manpower Centres (CMC) of job refusals and failure to report was being supplemented by the Special Job Finding and Placement Drive. This program involved a mandatory CMC interview of claimants in occupations for which there was labour market demand. During the 14 months it operated, ending in 1975, 429,000 claimants were exposed to the program. Of these, 33,000 were placed in jobs by the CMCs, 46,000 found jobs on their own after CMC counselling, 3,000 were placed on training courses and 144,000 were disqualified or disentitled from benefits because they were not actively seeking work or had refused to take suitable job offers.

Other administrative controls were also put in place. These included pre-registration with CMC as a prerequisite to payment of benefit, introduction of identical and expanded UI/CMC occupation coding, introducing of a new Record of Employment with UIC control copy, extension of National Revenue audits of employers to verify accuracy of Records of Employment and confirm interruptions of earnings, and introduction of controlled reporting procedures for union hiring halls.

In May 1975, the teachers' regulation was again amended as a result of the 1974 Federal Court decision (see Appendix E). In October, however, the new regulation was declared invalid in an appeal to the Umpire. The grounds were essentially the same as those of the earlier Federal Court decision. The Commission did not appeal the Umpire's decision to the Federal Court with the implication that in the future, teachers' entitlement to benefit would be determined by the same rules applying to all claimants. This treatment, it was felt, could be acceptable, since the 1974 Federal Court decision contained the view that the Commission could refuse benefits to teachers during the annual non-teaching period of July and August. This applied only to those with continuing contracts, renewed from year to year. For these teachers, no interruption of earnings occurred during the non-teaching period. Accordingly, the Commission proceeded on this basis. It did not develop another teachers' regulation for the balance of the decade.

Also in May, Parliamentary consideration began on the *Statute Law (Status of Women) Amendment Act*. This Bill (C-16) introduced by the Honourable Marc Lalonde, Minister responsible for the Status of Women, contained an amendment to the maternity benefit provisions of the UI Act. Experience with the new legislation had revealed that further flexibility in the period maternity benefits were payable would be desirable. Generally, the 1971 requirement meant that the 15 consecutive weeks of benefits had to begin the eighth week before the expected week of birth but had to end six weeks after

the actual week of birth. For women who gave birth prematurely, however, the intended maximum of 15 weeks was shortened unintentionally. For other women capable of working until much closer to the expected week of birth, the rules did not represent the best use of 15 weeks of benefits. As a result, representatives of women and in particular the recently established Advisory Council on the Status of Women advocated more flexibility. The amendment in the Bill resolved these difficulties by proposing that women could draw the 15 consecutive weeks of maternity benefits in their initial benefit periods as early as eight weeks before the expected week of birth or as late as 17 weeks after the week of birth. Bill C-16 received Royal Assent on July 30, 1975. The UI amendment came into force on January 30, 1976.

During the summer of 1975, arrangements were made to experiment with the financial arrangements for payment of benefits and allowances to claimants taking training under the *Adult Occupational Training Act*. This pilot project, implemented in Newfoundland in the fall, involved a "developmental" approach to the financing of training in which UI-eligible claimant trainees were paid only a small share of their income maintenance in the form of training allowances. The larger part was in the form of UI benefits. In practice, the claimants got a nominal training allowance of $10 a week (made possible by an amendment to the AOT Regulations). This was deducted from their regular UI benefits. It was concluded from the experiment that there was scope for increasing the UI financial share of the claimant/trainee's income maintenance during training.

The summer also marked the introduction of a Bill containing the first substantive amendments to the 1971 legislation. On July 8, 1975, the Honourable Robert Andras introduced Bill C-69, *an Act to amend the Unemployment Insurance Act, 1971* for first reading in the House of Commons.

A second UI public opinion survey authorized by the Commission was carried out in September. Concerns and directions for change identified in the 1974 survey were mirrored in this 1975 follow-up. Despite efforts on the part of the Commission to identify and reduce cheating in the system which were perceived by those surveyed, the proportion considering abuse as being widespread increased slightly from the year before. The basic feeling that the number of weeks required to qualify was much too short remained—those surveyed suggested an average of 34 weeks of insurable employment as an appropriate entrance requirement.

On October 27, Parliamentary consideration of Bill C-69 started with Second Reading. In his remarks, Mr. Andras said that just as the needs of the economy and the labour market changed constantly, the UI Act was also subject to adjustment based on experience. Bill C-69 represented the first results of the continuing review of policy and legislation undertaken by the Commission. The amendments proposed, he said, supported the government's efforts to allocate its resources more rationally. The amendments also were in line with the spirit of the 1971 Act and the goal of the Social Security Review to

rationalize the various schemes of income maintenance. They were also proposed to improve the relationship between the supply and demand of workers and to deal with complexities and inequities in the legislation.

The major changes in the Bill, and the main reasons they were proposed are summarized below.

Period of disqualification

The maximum disqualification for claimants who voluntarily left their employment without just cause, were fired for misconduct or refused a suitable job offer was to be doubled from 3 to 6 weeks. Experience had shown that the number of disqualifications for voluntary quits had been running at the high rate of about 250,000 a year. This was despite relatively high unemployment and a low ratio of job vacancies to number of unemployed workers. This supported the conclusion that the three-week period was not effective and that greater discouragement of this behaviour was needed.

End of coverage and benefits at age 65

This amendment reduced the age at which UI coverage was available from 70 to 65 years. People over 65 years would no longer contribute to the plan or be eligible for benefits. The special severance benefit would, however, continue to be paid to people at age 65 if they had 20 weeks of insurable employment in the qualifying period, whether or not they had stopped working. It was noted that since 1971, there had been a significant enhancement of federal and provincial income support programs for persons 65 years of age and over. Specific examples were the removal of the earnings test for CPP, the indexing of old age security and taxation, and the enrichment of the Guaranteed Income Supplement. It was argued that to continue UI coverage beyond age 65 would result in undesirable overlapping of these programs.

Elimination of dependency benefit rate

The special 75 per cent benefit rate introduced in the 1971 legislation was to be eliminated. The standard 66⅔ per cent benefit rate would apply to all claimants in all benefit phases, whether or not they had dependants. The 1971 legislation had acknowledged that the longer people were on claim the greater would be their non-deferrable expenses, particularly if they had dependants. But it was noted that a number of more appropriate measures had been taken to increase support for people with families since 1970. The most notable of these were the increases in and indexing of family allowances with the cost of living. These increases, and the indexing of income tax, it was argued, eliminated the justification for a special benefit rate for claimants with dependants. The family allowance was seen as a more appropriate way to recognize need based on family size than the UI program, under which benefits should remain essentially wage-related.

Amendments to the threshold financing formula

The four per cent national unemployment rate threshold above which the government assumed the additional costs for initial and re-established initial benefits was to be changed to ensure that the program was financed as much as possible through contributions from employers and employees. More specifically, the four per cent threshold was replaced with a new threshold. The new threshold would be adjusted automatically each year on an eight-year moving average of monthly national unemployment rates most recently available. For 1976, the new threshold rate was estimated at 5.6 per cent. The cost of extended benefits, payable to those unemployed for longer periods, would continue to be financed entirely by the federal government.

Elimination of advance pay provisions

Advance payment of benefits to major attachment claimants was originally designed to give them a strong incentive to find work in the early weeks of their claim. The elimination of these provisions was necessary after experience found that in 1974, for example, 85 per cent of advance payment claimants were still on claim after six weeks. Only 66 per cent of non-recipients of advance payment were still on claim at that point.

Flexibility in the payment of sickness benefits

To make sickness benefits more flexible, major attachment claimants could get up to 15 weeks of sickness benefits in both the initial and re-established initial benefit periods, a total of 39 weeks. Before, they could only be drawn during the first 29 weeks. The current limitation whereby getting regular benefits resulted in a reduction in entitlement to sickness benefits, would also be eliminated. Under the new proposal, up to 10 weeks of regular benefits could be drawn in the two initial phases without reducing entitlement to sickness benefits.

Voluntary termination of claims

This amendment was to allow claimants to voluntarily end an existing claim and establish a new one if it was in their interest. This option could be used, for example, to qualify for sickness or maternity benefits. It eliminated the rigidity requiring all established claims to go through all benefit phases before they could be ended.

Extension of qualifying and benefit periods

Under this amendment, an extension of the period when insurable earnings could be counted for benefit entitlement was to be allowed. The extension went beyond the 52-week qualifying period to a maximum of 104 weeks. It applied to claimants who were out of the active labour force for reasons beyond their control. This included people incapable of work because of sickness, disability or quarantine, people getting workers' compensation, claimants on approved

training, and inmates of penal institutions. All of these people could find themselves unable to qualify for UI after involuntary absence from the labour force.

An extension of the benefit period to 104 weeks for people on workers' compensation and for inmates of penal institutions was also included. (Sickness, disability, quarantine and approved training were not included as reasons for benefit period extensions because benefits were payable in these cases.)

Both changes were proposed in recognition of the number of claimants who still needed these provisions and to ensure these people had full access to UI. It was originally thought that the shorter entrance requirement in the 1971 legislation would end the need for these extensions (which were permitted under the 1955 Act), but experience showed this was not the case.

Coverage of individual sponsors of government job creation programs

With the importance the government was placing on new programs for direct job creation, UI coverage was extended to individual sponsors of certain government job creation programs.

Measures to reduce inequities and complexities

The Bill included a number of additional amendments. The issuing of Social Insurance Numbers (SIN) was to be more flexible, for example, in cases where SIN cards were lost or stolen and fraudulently used. The Commission's regulatory powers were widened in relation to claimant's rights and obligations, wage loss replacement plan premium reductions and travel expenses of people required to attend hearings of an Umpire.

It was noted that if all the amendments were effective in January 1976, there would be a net program saving of $170 million for the year, assuming a 7 per cent unemployment rate. The net increase in employer/employee costs was estimated at $490 million in 1976. And the net reduction in federal government costs would be about $660 million. A premium increase would be needed to offset the increased employer/employee costs. In conclusion, Mr. Andras said the amendments should contribute substantially to the effectiveness of the program by eliminating inequities, some of the disincentives to return to work, cost reductions and a better allocation of resources.

During Parliamentary Committee study of the Bill, a November 12, 1975 document prepared by the Commission and entitled *Unemployment Insurance Program Proposed Legislative Changes in Bill C-69* was tabled. This document reviewed the philosophy and objectives of the provisions of the 1971 legislation. It set out a number of developments leading to the proposals in the Bill. And it highlighted the positive effects of the program since 1971:

- direct cash transfer to two million claimants a year,
- redistribution of purchasing power to areas and groups with high unemployment,

- reduction in welfare dependency,
- automatic economic stabilization,
- income protection in periods of sickness and maternity for those without private plan protection.

It also noted a number of negative effects including increasing cost, some perceived and actual disincentive to work, complexities and inequities, and ambivalence in public attitude. (The public saw the program as basically good, but was critical of its negative aspects.)

The document also summarized the following identified disincentive effects, inequities and rigidities of the program:

- public perception that many people collected UI even though they could find work,
- the coexistence of job vacancies with high unemployment rates,
- the large number of claimants under the new Act who refused suitable employment, were not available for work and did not carry out an adequate job search,
- the increased incidence of voluntary quitting, (almost doubled since introduction of the new Act),
- the arbitrary rules for ending claims,
- the fact that major attachment claimants did not have to search for work for five weeks,
- cumbersome sickness and maternity rules.

Although disincentive effects in varying degrees had been detected throughout the claimant population, the document stated it was greatest among these overlapping categories:

- people without dependants,
- females with long labour force attachment,
- young males, particularly those with short labour force attachment,
- people over age 65,
- people in clerical and service occupations,
- people who voluntarily quit their jobs without just cause.

The dilemma facing the program was that although administrative measures could control problems associated with particular categories of claimants, they could not, in themselves, resolve disincentives, deal with increasing costs and resolve inequities and complexities. For this, legislative amendments would be needed. The C-69 proposals were then described by the document in terms of rationale and impact on claimants and benefit costs.

Reaction to the Bill was swift and direct in Second Reading debate, in the Standing Committee stage and in subsequent consideration of the Bill by Parliament.

Some Members of Parliament called the proposals a cosmetic, *ad hoc* approach which fought insurance irregularities on the backs of these who could least afford it. Some said the Bill did not represent a dovetailing of UI with the social security system. They saw it as a cost-cutting exercise, with the federal government abdicating its financial responsibilities for the program. More particularly, the termination of coverage and benefits at age 65 was strenuously criticized by Opposition Members in view of the many people that age and over without pensions from previous employment. The elimination of the dependency rate of benefit and the financing change were opposed by some as unwarranted. The increased disqualification period was supported by some but opposed by others, who felt many people who could not get help in preparing their appeals would suffer. Some also opposed the coverage of job creation sponsors since they said sponsors were really self-employed.

Most Members supported the voluntary termination of claims and some pressed for other amendments such as an increased entrance requirement of 12 or 20 weeks, the integration of UI and Manpower services, the reduction or elimination of the waiting period in emergency situations and changes in the UI appeal system to eliminate discrimination against non-union workers.

The private sector and the public outlined their views in submissions on the Bill. Notable among these were the Canadian Labour Congress (CLC), the Canadian Manufacturers' Association (CMA) and the Canadian Council on Social Development (CCSD).

The CLC supported the voluntary termination of claim provision, the flexibility in sickness benefits and the extension of the qualifying and benefit periods. It strongly opposed the increased disqualification period. It felt it would cause hardship for many claimants and gave too much discretionary power to UI claims officers. The Congress also felt that people over 65 should continue to be treated as others in the labour force and that the elimination of the dependency benefit rate would adversely affect those with low income levels. It also favoured financing the program from general revenue rather than from premiums because employees were not responsible for unemployment.

The CMA gave its general support to the amendments with the exception of job creation sponsors which it felt should not be insured. It viewed the exclusion of workers over 65 as appropriate, saying that too many people deferred applications for a pension plan so they could collect UI when they were not genuinely available for work.

In its submission, the CCSD said the financing changes were an abrogation of the government's responsibility for full employment. It also favored keeping the special dependency benefit rate and permitting those over 65 to stay in the labour force and be eligible for UI. Although it supported the increased period of disqualification, it felt that the six-week period was too long. Also in its submission were recommendations not relating to the Bill:

- an increase in the entrance requirement, to require longer labour force attachment,

- UI premiums and benefits based on pooled family income,
- the provision of adequate income to groups such as fishermen and seasonal workers under programs other than UI,
- coverage of sickness and maternity under health insurance or another program.

A number of minor amendments in the wording of some of the provisions of the Bill resulted from its examination in the House of Commons, the Senate and the Committee, but its major provisions were left intact. Bill C-69 received Royal Assent on December 20, 1975, with most provisions taking effect in January, 1976.

By the end of 1975, the unemployment rate (under Statistics Canada's revised Labour Force Survey) had increased sharply and averaged 6.9 per cent for the year. The program was now covering over 10 million workers. This was 90 per cent of the total labour force (96 to 98 per cent excluding the self-employed). The program paid benefits to 2 million claimants a year. Benefit payments increased to over $3.1 billion in 1975 from over $2.1 billion in 1974. The federal government cost of the program was now more than 50 per cent of total program costs, up from its 20 per cent level before the 1971 legislation.

The year-end cumulative deficit had declined to $97 million. But as noted, Bill C-69 still required an increase in the premium rate for 1976. The rate went from $1.40 per $100 of weekly insurable earnings to $1.65. In addition, the maximum insurable earnings increased to $200 per week.

1976

In late 1975 and early 1976 federal government priorities shifted increasingly toward financial restraint. Bill C-69 came into force. Other restraint measures were introduced in the *Government Expenditures Restraint Act*. For example, indexing of family allowance payments was suspended for one year. Amendments were also made to the *Adult Occupational Training Act*. The automatic adjustment of training allowances to meet average wages in the manufacturing sector was replaced by an annual review by the Manpower and Immigration Department.

In January, maximum pensionable earnings for CPP were increased by 12.5 per cent. They were to increase at this rate annually until they reached the level of average wages and salaries in the Industrial Composite Index. They were then to be adjusted with changes in the Index.

On February 13, 1976 the Unemployment Insurance Advisory Committee submitted its report on the UI appeal system. At the Minister's request, it reviewed the appeal system at the UI agent, Board of Referees and Umpire levels. The report found the appeal system at the first two levels in relatively good health. A number of administrative improvements at these levels were recommended.

Many of these were acted on by the Commission. To improve efficiency and performance, it also recommended legislation to limit appointments to Boards of Referees to three years with option for reappointment and the automatic retirement of chairpersons at age 75 or earlier for reasons of health or unsatisfactory performance.

The Committee also expressed concern over rights of appeal to the Umpire. The Act gave the Commission automatic right to appeal a unanimous Board of Referees' decision to the Umpire. Individuals and employers could appeal such unanimous decisions through their employer or employee association. But people not members of such associations had no right to appeal in these circumstances except by leave of the Chairperson of the Board of Referees. This situation led the Committee to recommend that Umpires be allowed to hear all such appeals under certain conditions. It further advocated that the concept of a Board of Umpires be considered. The Board of Umpires would be made up of members who would not have to be Federal Court judges.

As work continued on the comprehensive review of policy and legislation, an issue of growing concern was the future of the special benefits for self-employed fishermen. The Commission and the Department of Fisheries had been wrestling with the development of a more appropriate scheme since the 1971 legislation. At that time, it was stated that coverage of self-employed fishermen would be discontinued once a scheme more suited to the needs of the fishing industry was developed. An acceptable alternative eluded the departments. But other pressures from the fishing sector demanded attention. Representatives of self-employed fishermen saw the existing regulations as discriminatory, regressive and not suited to the industry's needs. The regulations were changed in the fall of 1976 to respond to these criticisms. The new regulations allowed benefits to start the week of November 1 instead of December 1 and authorized payment of regional extended benefits in the new November 1—May 15 season. The amendments were made in spite of the fact that other UI benefits were being curtailed and employer groups saw the more generous benefits as a further disincentive to work.

On November 1, 1976, an Umpire ruled on a number of appeals relating to Bill C-69. This decision proved to be of particular significance. Bill C-69 reduced the maximum age for coverage and eligibility for UI from 70 to 65 years and eliminated the 75 per cent dependency benefit rate. This resulted in the benefits of almost 200,000 claimants being reduced or eliminated on January 4, 1976. Over 600 claimants affected appealed to Boards of Referees and won. The Commission appealed these cases to the Umpire who upheld the Board of Referees' decisions. The Umpire held that since the wording of Bill C-69 did not remove acquired rights, the claims were still subject to the 1971 legislation and benefits should not have been cut off or reduced. On advice from the Department of Justice, the Commission did not pursue the matter further in the courts. Restitution was made to the appellants.

With work on the comprehensive review of policy and legislation complete, the Honourable Bud Cullen, Minister of Manpower and Immigration, introduced Bill C-27 for First Reading on December 9, 1976. This was the second major set of UI amendments to the 1971 legislation.

By the end of 1976, the unemployment rate for the year had increased marginally to 7.1 per cent. Benefit payments had increased from over $3.1 billion in 1975 to over $3.3 billion in 1976. (The federal government share of benefits declined to 41 per cent from 54 per cent in 1975.) The UI Account, however, showed a cumulative surplus ($204 million) and the premium rate for 1977 was set at $1.50 per $100 of weekly insurable earnings (down from $1.65 in 1976). The maximum insurable earnings was increased for 1977 to $220 per week.

1977

February 1, 1977 marked two important events for the UI program. The *Comprehensive Review of the Unemployment Insurance Program in Canada* was tabled in Parliament by the Minister and Parliamentary consideration of Bill C-27 began with its Second Reading.

The Comprehensive Review was put forward as the first major empirical assessment of the impact of the Canadian unemployment insurance program on the economy and society. It was portrayed as an important contribution to the understanding of the program and its relationship to a changing social and economic environment. The Review was based on studies of the labour market, data on the behaviour of UI claimants and analyses of the effects of UI on these claimants and the national economy following introduction of the 1971 legislation. Its purposes were to assess the UI program in terms of its objectives and to search for a better balance between adequate income maintenance, allocation of resources and incentives to work. The Review would also recommend changes to the UI program based on its findings.

The Review document set out the differences between social insurance, welfare and other programs in the social security system. It reviewed the philosophical and historical evolution of the program as well as developments in the labour market. A major section gave a profile of UI claimants from 1972 to 1974 by insured weeks, age, industry, occupation and region. A study was also made of the work disincentives of UI through a review of empirical economic research on unemployment and disincentives and analysis of UI administrative statistics. The latter focused particularly on disqualifications and disentitlements along with other administrative data.

Macroeconomic effects of the UI program and its income stabilization effects were reported on. The significance of the program to the economy was underlined by the fact that in 1970, UI payments represented 0.8 per cent of Gross National Product. (This was the

equivalent of 4.6 per cent of the federal government budget.) By 1975 UI payments represented 2.1 per cent of the GNP. (This equalled 10.1 per cent of the federal government budget.) Given the speed and selectivity with which UI put money into the hands of the unemployed, it seemed unlikely to be matched by fiscal measures requiring legislative amendments or by monetary policy, which also had a time lag.

The Review document also pointed to the need for changes in the boundaries used for paying regional extended benefits. The 1975 increase in the number of Statistics Canada Labour Force Survey regions and experience with the 16 UI economic regions prompted a review identifying a number of issues. In some of the large regions, for example, there were significant areas of high unemployment in economic regions not eligible for regional extended benefits. There were also significant areas of low unemployment in economic regions which were eligible for regional extended benefits. The issues pointed to further work on possible boundary changes to increase the number of UI economic regions.

In a section on the distributive and redistributive effects of the UI program, the distribution of benefits was examined by province, occupation and industry. The income redistributive effects were assessed by individual income class and by family income class. The assessment found to the extent that there was a higher risk among low income earners, there was a significant redistribution of income in the form of UI benefits from higher to lower income earners. This was considered consistent with the social insurance nature of the program. Redistribution from high to low income families was also found. Income redistribution among families was not as large as observed among individuals because a number of low income beneficiaries belonged to middle or higher income families.

A review of previous public attitude studies on the UI program recalled that Canadians wanted UI income protection but were suspicious of those protected. This reaffirmed the ambivalent attitude of Canadians toward UI.

Consideration was given to developing a plan for experience rating employers, as envisaged in the White Paper and the 1971 legislation. The concluding observation was that with tripartite financing of the program well established, the applicability of experience rating of employers would be limited. It would also require complex and costly administrative arrangements and would not be likely to prove advantageous.

The analysis articulated in the Review document pointed to two major amendments in the UI program. The first was the replacement of the existing five-phase benefit structure with a three-phase benefit structure designed to overcome specific problems. There were several examples of the kinds of problems identified including

- Rigidities and inequities in the five-phase benefit structure:
  - Flexibility in the initial benefit period was limited.

- Claim termination due to the four-week rules in the extended phases was seen as a disincentive to seek and accept re-employment.

- Deficiencies in the formula for calculating extended benefits:
  - Benefit entitlement was extended by the national unemployment rate regardless of regional unemployment rates.
  - Economic regions with high unemployment rates sometimes did not get regional extended benefits.
  - An economic region could lose some or all regional extended benefits if the national unemployment rate rose more quickly than the regional rate.
  - Large increases in extended benefits could result from very small increases in the national or regional rates, for example, when the national rate rose from 5.0 per cent to 5.1 per cent or when the difference between the regional and national rates moved from 1.0 per cent to 1.1 per cent.

The new, three-phase structure had two objectives:

- to increase work incentives
  - by achieving a more appropriate relationship between the number of insured weeks and the duration of benefit entitlement,
  - by relating the entitlement to extended benefits more directly to regional unemployment rates as an indicator of the difficulty of finding and keeping jobs,
  - by providing greater flexibility in the initial benefit phase and removing the four-week rules in the extended phase.
- To achieve a more effective redistributive effect from the UI program. This demanded an extended phase more progressively responsive to regional economic conditions as indicated by the regional unemployment rate.

The proposed structure involved three phases in a single benefit period. The first phase replaced the initial and re-established initial benefit periods with a single initial phase. (One week of benefit was payable for each insurable week to a maximum of 25 weeks in a 52-week benefit period.)

Labour force extended benefits were kept as the second phase. They were based on one week of benefits for every two weeks of insurable employment for claimants with 27 or more insurable weeks, to a maximum of 13 weeks of benefits.

The third phase involved the replacement of the national and regional extended benefit periods with a single, regional extended benefit phase. In this last phase, a range of from two to 20 weeks of benefits would be payable in accordance with a set formula as follows:

Regional Unemployment Rate	Benefit weeks
4.0% and under	0
4.1%—4.5%	2
4.6%—5.0%	4
5.1%—5.5%	6
5.6%—6.0%	8
6.1%—6.5%	10
6.6%—7.0%	12
7.1%—7.5%	14
7.6%—8.0%	16
8.1%—8.5%	18
8.6% and over	20

Although the combined maximum number of weeks of benefits was 58, a maximum of 50 in a 52-week benefit period (including the two-week waiting period) was proposed. The impact of this reduction in entitlement on claimants and benefit expenditures was assessed by economic region and claimant profile characteristics.

The second major amendment proposed was an increase in the entrance requirement from eight to either 12 or 16 weeks. This was seen to have several advantages:

- a reduction in total UI program costs,
- increased program acceptance by the public who considered entrance requirements too low,
- reduction of subsidies to occupations and industries with traditionally short term and intermittent employment patterns, and
- encouragement to people to stay in jobs longer.

The strong impact the increased entrance requirement would have in potentially denying individuals entry to UI was recognized. This was seen particularly in regions like the Atlantic, with its high number of minor attachment claimants. It would also affect low wage earners.

In its conclusion, the Review document restated the significant role of the UI program in Canada, its changing orientation from insurance to income transfer considerations and the possible direction of the program within the social security system, the labour market and economy in the years to come. While providing new insights into the program, it clearly demonstrated the need for continuing, in-depth study.

On Second Reading of Bill C-27, the *Employment and Immigration Reorganization Act,* Mr. Cullen noted that the Bill had two objectives.

- The first objective was to integrate the Department of Manpower and Immigration and the Unemployment Insurance Commission.

- The second was to introduce changes in the UI Act, including
  - an increase in the number of insurable weeks to qualify for benefits from eight to 12 weeks,
  - a three-phase benefit structure, and
  - the authorization of developmental uses of unemployment insurance funds. This would include using the funds as income maintenance for claimants on approved training courses, job creation projects and work sharing arrangements.

Integration was rationalized on the basis of the significant changes in society, the economy and the labour market since the two organizations were separated in the mid-1960s. Between the mid-60s and mid-70s, it was noted that the placement, training, mobility, job creation and other manpower services and programs had been strengthened. The UI program had been extended to cover almost the entire work force, itself playing a more significant role in the Canadian labour market and economy. The complementary nature of the work resulted in significant harmonization and close links so that a unified management was now needed. Including immigration in the new organization recognized the important social objectives of the program and its impact on the labour market. Its inclusion was seen by the government as essential to an integrated approach to employment programs.

The tripartite management of the Unemployment Insurance Commission (involving government, labour and business) was to be continued and enhanced in the new organization. The legislation called for a new Canada Employment and Immigration Commission with four corporate officers (a Chairman, Vice-Chairman, Commissioner for Workers and Commissioner for Employers). The new Commission was to be responsible for administering the labour market, employment, unemployment insurance and immigration programs and the policies underlying those programs. A smaller Department of Employment and Immigration was also created by the legislation. It would be responsible for strategic policy development, program evaluation, labour market research and information services. The Department was to ensure the closest possible links between the Commission's policies and programs and the government's overall economic and social strategies. The Chairman and Vice-Chairman of the Commission would be the Deputy Minister and Associate Deputy Minister, respectively, of the Department.

The new legislation also created a new Canada Employment and Immigration Advisory Council to help the government's cooperation with the private sector, and in particular labour and management. It was to be made up of a Chairman and from 15 to 21 members. One third of the members would be appointed after consultation with organizations representing labour and one third after consultation with organizations representing management.

Referring to the unemployment insurance amendments, it was noted that the eight-week entrance requirement had been one of the

more contentious issues of the program. The proposal to increase it to 12 weeks was based on the intermittent work patterns, behavioural characteristics and higher subsidization by UI of people with eight to 11 weeks of insurable employment. Examination of the eight-week entrance requirement, one of the most generous in the world, provided readily-available financial encouragement for unstable work patterns. Even with the increase, it was expected that a large number of claimants affected by the change would be able to work the extra one to four weeks needed to qualify. For those who could not, there were to be special measures available in the employment strategy such as training and job creation.

The benefit structure proposed in Bill C-27 was the same as the one in the Comprehensive Review. The savings arising from the changes were to be redirected to programs to create new employment opportunities as well as help prevent unemployment. This was seen as a more effective allocation of resources.

As far as the developmental uses of UI funds were concerned, a new training arrangement, tested in 1975 in Newfoundland, would replace the existing top-up formula. The new arrangement would make UI the main source of income maintenance for claimants on federally-sponsored training. This change in financing, it was hoped, would lead to more effective resource allocation and free up resources for more training.

The use of UI funds for job creation arose from the perception that many unemployed workers, unable to find employment, received UI benefits while community-oriented projects could not be carried out because of lack of funds. The legislation was to provide a chance for claimants to continue on UI while participating voluntarily in approved job creation projects. This new initiative was to be started as a pilot project to allow for assessment of its impact on unemployment and the labour market.

The third developmental use, work sharing, was also to be tested through a series of pilot projects. It was based on the concern that when a firm faces a temporary economic emergency, cutbacks in production and reductions in the work force often see laid off workers take other work, move, get training for a new job or remain unemployed. This, it was felt, could have damaging effects: erosion of worker skills and work habits and difficulties for the firm in resuming normal production. It was thought work sharing could reduce these problems by averting layoffs. For example, instead of one quarter of the work force being laid off, employers and workers could agree that all the work force work a 30-hour week instead of a 40-hour week. UI benefits would be paid for one quarter of a week for all workers instead of for the whole week to one quarter of the workers.

Annual funding for developmental uses was to be determined by the Governor in Council.

Bill C-27 also contained a number of administrative amendments and amendments to correct minor drafting errors and to clarify specific sections of the Act. Perhaps the most notable change related to the broadening of the right to appeal Board of Referee decisions.

It gave all claimants and employers the right to appeal to the Umpire against a unanimous decision of a Board of Referees. At the time, only claimants and employers represented by associations (and the Commission itself) had this right. This arose from a UI Advisory Committee recommendation contained in its 1976 review of the appeal system. The Bill also called for more Federal Court Justices to hear appeals. (This was needed to reduce the number of appeals outstanding.) It was noted that the new appeal provisions would be implemented only after consideration of the findings and recommendations of the Law Reform Commission, also studying administrative practices in the UI program.

Starting with Second Reading and continuing into the Parliamentary Committee stage in April, the contents of the Bill were hotly disputed on points of severe contention. On the entrance requirement, some Members of Parliament saw the increase to 12 weeks as backward and unacceptable in view of prevailing high unemployment. They felt that many workers would not be able to get the extra weeks needed to qualify and would have to resort to welfare. This opinion was shared by associations representing employees. On the other hand, some MPs pressed for a higher entrance requirement. Employer representatives in particular supported an increased entrance requirement. They wanted it moved up to 20 weeks so that certain sectors of the business community would not have to compete with UI to fill the many job vacancies. A proposal made during debate by Opposition critic (the Honourable) Lincoln Alexander suggested that consideration be given to an entrance requirement of from eight to 12 weeks depending on the regional rate of unemployment.

The curtailment of benefits in the benefit structure, especially for minor attachment claimants, was supported by some Members and employer representatives. It was opposed by employee representatives and other Members, particularly those from high unemployment areas. Under the 1971 Act, claimants with 12 weeks of insurable employment could be entitled to 48 weeks of benefits. Under the C-27 proposals, maximum entitlement would be 32 weeks. This was viewed in some quarters as unacceptable in periods and areas of high unemployment despite assurances that UI savings would be redirected through the employment strategy.

Except for training, there was strong opposition to the developmental use of UI funds on the part of some MPs, employer representatives and employee representatives. The criticisms were on grounds of principle, financing, administrative problems or some combination of these. It was felt that job creation should be further evaluated before linking it to UI or proceeding on an experimental basis. Opposition to work sharing was even stronger. Employer representatives were concerned about the impact on program costs. Employee representatives felt work sharing would subsidize employers, ignore seniority rights of workers and interfere in collective bargaining. Many who commented said that if such programs were to be undertaken at all, they should be funded from general revenue and not from the UI Account.

In response to the various views expressed, Mr. Cullen announced on April 26 the government's decision to make two important changes to Bill C-27.

- The 12-week entrance requirement would be replaced by a variable entrance requirement of from 10 to 14 weeks. This new entrance requirement would reflect regional unemployment rates as follows:

Regional rate of unemployment	Weeks of insurable employment in the qualifying period
6.0% and under	14
over 6.0% to 7.0%	13
over 7.0% to 8.0%	12
over 8.0% to 9.0%	11
over 9.0%	10

- Twelve weeks would be added to regional extended benefit entitlement, bringing the maximum entitlement to 32 weeks. This entitlement would be payable as follows:

Regional rate of unemployment	Maximum extended benefit payable under Section 35
over 4.0% to 4.5%	2 weeks
over 4.5% to 5.0%	4 weeks
over 5.0% to 5.5%	6 weeks
over 5.5% to 6.0%	8 weeks
over 6.0% to 6.5%	10 weeks
over 6.5% to 7.0%	12 weeks
over 7.0% to 7.5%	14 weeks
over 7.5% to 8.0%	16 weeks
over 8.0% to 8.5%	18 weeks
over 8.5% to 9.0%	20 weeks
over 9.0% to 9.5%	22 weeks
over 9.5% to 10.0%	24 weeks
over 10.0% to 10.5%	26 weeks
over 10.5% to 11.0%	28 weeks
over 11.0% to 11.5%	30 weeks
over 11.5%	32 weeks

It was noted that in proposing the 10- to 14-week entrance requirement, the government had several considerations in mind.

- The minimum entrance requirement should be greater than eight weeks even in areas of high unemployment. This was to limit the undesirable impact of unemployment insurance on work patterns.

- The maximum entrance requirement should be more specifically tied to labour market conditions in areas of low unemployment than would be possible with the fixed 12-week requirement.
- The range of requirements between maximum and minimum should not be so large as to result in unacceptable differences between the various regions.

With these changes, the estimated annual savings under the Bill (when the amendments were fully mature and assuming a national unemployment rate of eight per cent) were reduced from $275 million to about $135 million. Most of the $140 million reduction in savings was to occur in the five provinces east of the Ottawa River. Savings for the fiscal year 1977/78, before the amendments were fully mature, were now to be only $32 million. (This was compared to expenditures of $458 million under the government's employment strategy.)

Several developments, occurring during proceedings of the Standing Committee on Labour, Manpower and Immigration, did not contribute to early passage of the Bill. When it was learned that the Umpire, in a decision on an appeal, ruled Section 46 of the UI Act (disentitling women from receiving UI benefits in the maternity period) was inoperative because it discriminated on the basis of sex, it sparked questions about maternity benefit amendments and status of women issues. (The Commission appealed the decision to the Federal Court of Canada which set aside the Umpire's ruling on June 2, 1977.) When it also became known that a number of provinces, not participating in the Standing Committee proceedings, had expressed concern about the impact of the C-27 amendments on social assistance costs, this produced questions about the extent of increases in social assistance costs.

There was also the issue of what to do about claimants who were denied benefits or had benefits reduced as a result of Bill C-69. The pressures increased in the early months of the year for reinstatement of benefits for those cut off because of the reduction in the age of coverage and benefits to 65 and the elimination of the dependency benefit rate. Bill C-52, the *Unemployment Insurance Entitlements Adjustment Act* was introduced on May 6, 1977 in the middle of the C-27 proceedings. This Bill authorized the Commission to reinstate benefits to the affected claimants, but only to those who had acquired rights before January 1976. It passed quickly through the House of Commons and Senate and was given Royal Assent on May 12. Approximately $4.5 million in benefits were then paid retroactively to about 6,500 affected claimants for the period starting in January 1976 up to the point when pensions under CPP or QPP became payable.

Circumstances also played a part in the time taken for processing Bill C-27. It did not help that the same Parliamentary Committee was also giving consideration to the new *Immigration Act* (Bill C-24) and departmental spending estimates at the same time.

At Report stage and Third Reading in the House, the government was faced with 33 motions to amend the Bill. Only several of these

were its own motions (notably the two which would give effect to the variable entrance requirement and the extra 12 weeks of regional extended benefits announced by Mr. Cullen in Committee). A motion limiting the time on debate of the motions to amend the Bill was needed to get passage by the House of Commons before the end of July. Consideration by the Senate at the beginning of August finally permitted Royal Assent on August 5, several weeks past the date the summer recess usually took place.

The provisions in the Bill relating to the integration of the Unemployment Insurance Commission and the Department of Manpower and Immigration came into force on August 15.

The following housekeeping amendments were brought into effect immediately:

- an amendment stipulating that the striking of premium rates would be subject to Governor in Council approval,
- another provision facilitating the determination of administrative costs as prescribed in the regulations,
- a provision authorizing the repeal of experience rating,
- the stipulation that chairpersons of Boards of Referees cease to hold office at the age of 75 and authority to remove them for just cause,
- other changes to ensure that the new Commission would not be prohibited from carrying out special programs to eliminate, reduce or prevent disadvantages suffered by any group of people.

The three-phase benefit structure and the developmental uses of UI funds for training came into effect on September 11, 1977. Claims already established before that date were allowed to continue under the five-phase structure. The four-week rules for termination of claim, however, were eliminated for claims under both the five- and three-phase structures. Regional extended benefits were based on where the claimant lived at the beginning of the benefit phase. Although the three-month, seasonally adjusted unemployment rates were updated monthly for this phase, the claimant's entitlement was determined only once when he or she started the phase.

The variable entrance requirement did not come into force until December 4, 1977. This was because of the extra planning needed to implement the measure. It is noteworthy that the legislation was drafted to stipulate that the variable entrance requirement would only be in force for a period of 36 months after implementation. After this, unless extended by resolution of Parliament, it was to become a fixed minimum of 14 weeks of insurable employment.

Planning began in the fall of 1977 for the pilot projects on work sharing and job creation.

Four other important events took place in 1977. First, beginning in July, severance pay was no longer considered earnings for benefit purposes. This regulatory change recognized that since severance pay credits were accumulated over a period of years, this money should be considered more as savings than earnings.

The second event related to a joint proposal of the Canadian Labour Congress and the Canadian Manufacturers' Association. Their proposal was that a system of notification of hirings be developed and tested for possible national use. The Commission agreed to consider the proposal.

The third development was the publishing of the Law Reform Commission report on the administrative processes of Unemployment Insurance. Its main recommendation was that a Federal Social Security Tribunal be established to deal with UI appeals to the Umpire and appeals under other federal government social legislation. This proposal was to be given further consideration by the government.

The fourth event was the determination by the Auditor General of Canada in his 1977 Annual Report that there had been $95 million in overpayments not identified by the Commission's regular control activities in 1976.

By the end of the year, in spite of a benefit payout of $3.9 billion and an annual unemployment rate of 8.1 per cent, the cumulative surplus in the UI Account was up to $414 million. The premium rate was not adjusted but maximum weekly insurable earnings were to rise to $240 for 1978.

1978

Integration of UI and Manpower and Immigration was completed at headquarters by the end of 1977. The new year saw moves to establish integrated regional offices and co-located manpower and unemployment insurance offices at the local level. This was to be accomplished through a network of Canada Employment Centres (CECs). Pilot projects were conducted in a number of offices across the country to find the best organizational setting for one-stop labour market and insurance services.

In March 1978, the Canadian Human Rights Commission (CHRC) started operation. The first complaints received at the Employment and Immigration Commission concerned UI maternity benefits. From March 21, 1978 to February 5, 1979, six complaints were received that Sections 30 and 46 of the UI Act discriminated on the basis of sex.

In April, a minor amendment to the UI Act was made through the *Miscellaneous Statute Law Amendment Act*. It required the Commission to ensure that in referring a worker to a job opportunity there be no discrimination under the *Canadian Human Rights Act*.

Also during the early part of 1978, six pilot projects tested an Information on Hirings system. They showed a high potential for detecting unreported work and earnings and preventing UI overpayments.

In the summer, Prime Minister Trudeau announced further restraint measures. He made the commitment to reduce federal government spending by $2.5 billion in the next fiscal year. Training

allowances under the *Adult Occupational Training Regulations* were soon reduced and planning began for additional amendments to the *Unemployment Insurance Act*.

On September 1, 1978, Mr. Cullen announced the government's intention to proceed with another series of amendments to the UI Act. The amendments were to remove some disincentives to work, reduce the costs of the UI program in general—and the federal government's costs in particular—and improve on the public perception of UI.

The changes were to include

- higher entrance requirements for repeaters (people with a second claim in the same 52 weeks),
- higher entrance requirements for new entrants and re-entrants to the labour force (people who had been out of the work force for over a year),
- an increase in the minimum insurable earnings,
- a reduction in the benefit rate from two thirds to 60 per cent of insurable earnings,
- a recovery through the income tax system of a portion of UI benefits of high income claimants,
- a change in program financing so that labour force extended benefits would be financed jointly by premiums and the federal government depending on a threshold formula rather than by the federal government alone.

In another announcement on the same date, Mr. Cullen indicated his intention to proceed in 1979 with the use of UI funds to support job experience training once technical problems were ironed out. This was to be part of the employment strategy, to cost $710 million for 1978/79.

Between September and the beginning of November, 1978, when Bill C-14 containing these amendments had First Reading, the proposed amendments were discussed in various quarters. Representations resulted in changes in the repeater proposal to soften its impact generally, but particularly in high unemployment regions.

Several other developments unrelated to the proposed amendments occurred in this period.

- The experimental phase of work sharing was launched with a series of pilot projects which were to be evaluated upon completion.
- The Supreme Court of Canada upheld the Federal Court decision that Section 46 of the UI Act (disentitlement from benefit during the maternity period) did not discriminate on the basis of sex and did not deny the appellant equality before the law. (The Minister indicated that notwithstanding this decision, there would be a review of maternity benefits.)

- The 1978 Auditor General's report showed that in 1977 the Commission did not detect $142 million in overpayments. It noted that the Commission, after reviewing the 1976 test results, agreed with the conclusions. For the 1977 examination, it had provided personnel from its Control Branch to assist in the verification process.
- With work on revising the UI economic regions complete, the Commission brought into force a new set of 48 economic regions. They were proposed as a significant improvement over the previous 16 regions. The new UI economic regions were consistent with the Statistics Canada Labour Force Survey economic regions. With them, the Commission attempted to ensure that
    - they were responsive to local employment conditions,
    - they conformed to Statistics Canada regions so reliable unemployment rate estimates were available permanently,
    - the need to change them as local labour conditions changed was lessened,
    - entitlement inequities within and among provinces were minimized, and
    - administrative disruptions to local labour markets were minimized.

On November 9, 1978 Second Reading of Bill C-14 began. Enlarging on his September remarks, Mr. Cullen said that the new emphasis would be on encouraging Canadian workers to look for, accept and remain at work. The Bill contained eight amendments.

New regulatory authority for minimum weekly insurability

The Bill established new regulatory authority for minimum insurability. It was to be based on hours of work for employees paid hourly or on a fixed salary and on a percentage of maximum insurable earnings for those paid on commission or by piece work. New authority was given to make regulations excluding those who worked less than 20 hours a week or received less than 30 per cent of maximum insurable earnings from insurable employment. The intent was that this would replace existing minimum insurability rules. (People were excluded who earned the lesser of 20 times the minimum applicable hourly wage or 20 per cent of maximum insurable earnings.)

There were two elements in the rationale for the new formula. The current arrangement had been the subject of considerable criticism, particularly from employers and their associations, on the ground that high income earners working only a few hours a week could qualify for benefits. It was argued that these relatively few hours a week did not constitute a genuine insurable interest.

The old formula was also criticized on other grounds of inequity. It was felt that although high wage earners worked only a few hours a

week to meet the minimum insurability requirement, other workers, like domestics working for less than the provincial minimum wage, must have worked over 20 hours a week.

Originally, the Commission had intended to bring into force the new approach under provisions in the existing Act. These provisions authorized the exclusion by regulation of employment of an inconsiderable nature or for an inconsiderable consideration from insurable employment. A revised regulation was made and published in the Canada Gazette. The Commission, however, considered it desirable, with a new regulatory power, to limit and make specific the regulatory power contained in the Act to clarify the legislation.

Higher entrance requirement for new entrants and re-entrants

The Bill established a higher entrance requirement for new entrants and re-entrants. (These were claimants who had fewer than 14 weeks of insurable employment—or other weeks prescribed by regulation—in the 52 weeks before the start of the qualifying period.) These claimants would have to have at least 20 weeks of insurable employment in their qualifying period to establish a claim. Claimants who had 14 or more insurable weeks (or weeks prescribed by regulation) in the 52 weeks before their qualifying period were subject only to the variable entrance requirement for the region in which they lived. Major attachment claimants would continue to qualify under the existing rules.

The argument put forward at the time for this amendment was that it would attack the problem of ease of entry and re-entry into the program. This was specifically directed at those who had contributed less substantially to the labour force or to the UI Account. Work was clearly preferable to a dependence on UI benefits. The insurance aspects of the UI program were to be reinforced through the exclusion of those who had only a marginal attachment to the labour force.

Higher entrance requirement for program repeaters

The Bill established a special entrance requirement for people with repeat claims. Claimants whose benefits in their qualifying period exceeded the variable entrance requirement needed extra weeks of insurable employment to qualify. The maximum number of additional weeks was six, for an overall maximum entrance requirement of from 16 to 20 weeks, depending on the region in which the claimant lived.

This amendment was to encourage claimants who had drawn substantial benefits in their qualifying period to work longer (over and above the variable entrance requirement) before becoming eligible for more benefits. Claimants were also encouraged to shorten their claims since it affected future entitlement. Others were induced to break the cycle of reliance on UI which had built up.

An exemption for claimants in the highest unemployment regions with an unemployment rate over 11.5 per cent recognized the dif-

ficulty of finding work. It was felt this was largely beyond the control of the inhabitants of those regions.

The Minister noted that the requirement to obtain the variable entrance requirement plus up to a maximum of six additional weeks, together with the exemption, were changes in response to representations he had received. He said they had been made to create less hardship in those regions of Canada with high unemployment rates where jobs were harder to find.

Reduction in the benefit rate

The Bill reduced the benefit rate from 66⅔ to 60 per cent of average weekly insurable earnings.

The government's view was that the current income replacement ratio (UI benefits to previous earnings) was high enough to constitute a disincentive to seek and accept work. This amendment was to reduce those disincentives. The lower benefit rate would make jobs paying wages close to current UI rates more attractive. While strengthening the incentive to work, this was not expected to impair the adequacy of benefits. Where there could be some impact—as in the case of large and low income families—it would be offset by a new Child Tax Credit program. In the interest of fairness, the benefit rate reduction would apply to all claimants, both existing and new claimants, on the effective date of the change.

Earnings while on job creation projects

This provision excluded UI job creation benefits from the 25 per cent allowable earnings rule. Under this rule, claimants may earn up to 25 per cent of their weekly benefit rate before their benefits were reduced dollar for dollar. Unemployment insurance job experience training assignments under this section of the Act allowed employers to top up benefits to the normal wage rate for the job. If the existing 25 per cent allowable earnings rule were applied to UI benefits, it could nullify the employer top-up and jeopardize this new program. For this reason, its application for this specific purpose only was to be discontinued.

Tripartite financing of labour force extended benefits

Under this amendment, the cost of the labour force extended benefits would be shared by the federal government, employers and employees. (The government was paying the total cost of these benefits at the time.)

The rationale for the change was that the number of weeks of initial regular benefits were related to the number of weeks of insurable employment and therefore directly related to insurance principles. It was felt it would improve the consistency of the financing formula if benefits similar in kind were financed in a similar way. Under this amendment, labour force extended benefits were financed in the same way as initial regular benefits. The private

sector would pay the cost for these benefits up to the threshold and the federal government would take over from there.

Increase in minimum fine

The existing Act provided for a fine of

(a) a minimum of $25 and a maximum of $5,000 plus, when appropriate, an amount not exceeding twice the amount of any benefits paid as a result of a false or misleading certificate, return or answer, or

(b) both the fine and imprisonment for no longer than 6 months.

This amendment increased the minimum fine from $25 to $200 to strengthen the deterrent effect of the legislation.

Benefit repayment by high income claimants

Under this part of the Bill, high income claimants had to pay the Receiver General for Canada 30 per cent of some or all of UI benefits received in a taxation year. People whose net income for income tax purposes (including UI benefits) exceeded 1.5 times the maximum yearly insurable earnings were subject to the provision. (Net income subject to the provision was to be $20,670 for 1979.)

Here are examples of how the provision was to work.

- When net income (including UI) exceeded the income threshold by more than the amount of UI received, one had to repay 30 per cent of all UI benefits received in that year. For example, a person who got $3,000 in UI and whose net income exceeded the threshold by more than $3,000 had to repay the Commission 30 per cent of the full $3,000 ($900).

- When net income (including UI) exceeded the income threshold by less than the amount of UI received, one had to repay the Commission 30 per cent of the amount of income that exceeded the threshold. For example, consider a person who got $3,000 in UI and whose net income exceeded the threshold by $1,000. That person only had to repay the Commission 30 per cent of $1,000 ($300). In this example, the repayment was only 10 per cent of total benefits received.

- When net income (including UI) was less than the income threshold, none of the UI benefits had to be paid back.

The rationale for this change was that paying benefits to people with high incomes was not an appropriate allocation of resources. It was felt this was particularly true in times of restraint when funds were scarce. Implicit in this was the view that the high income earner could and should assume more of the cost of unemployment than lower income earners.

The threshold net income was significantly higher than the average industrial wage, which was about equal to maximum insurable earnings. Tying the threshold net income to the insurable earnings ceiling allowed for equivalent increases annually (through maximum

insurable earnings indexation) of the threshold net income for both repayment and the benefit rate. With this formula, the threshold net income and the benefit rate increased with the general trend of wages and salaries.

It was noted that net income was defined in the Income Tax Act and included income from employment, self-employment and pension income. It also included income from other sources like interest, investment, rents, UI benefits, Family Allowances and CPP/QPP benefits. It was reduced by such things as CPP/QPP contributions, UI premiums, registered retirement savings plans premiums, registered home ownership savings plans contributions, but not personal exemptions. The amount of UI benefits repaid was not to be considered taxable income.

The tripartite financing of labour force extended benefits was to take effect January 1, 1979. The benefit repayment provisions were to apply to the 1979 taxation year. The effective dates for all other amendments were to be set by proclamation.

Reaction to the Bill in the House of Commons was more negative than to either Bills C-69 or C-27. Some Members opposed most of the amendments and said the government had declared war on the unemployed. Others were more specifically concerned with the reduction in the benefit rate and higher entrance requirements for new entrants, re-entrants and repeaters.

The government's proposals generally received wide support from representatives of employers. In some cases, however, employers' representatives said the Bill did not go far enough. For example, a number felt the entrance requirement should be raised to 20 weeks for all claimants, that the benefit repayment should be increased to 40 or 50 per cent, or that indexing of benefits should be stopped.

Employee representatives, on the other hand, were adamantly opposed to all amendments except those on job creation earnings and the increased employer fine. For example, the benefit rate reduction was seen by some as a way of increasing the percentage of workers living in poverty and not as a way to decrease disincentives, because there were no job opportunities. The entrance requirement increases were seen as a backward step which would increase disincentives to go back to work. The benefit repayment provisions were considered a discriminatory form of taxation.

Information on the impact of the proposals was presented in the Parliamentary Committee stage. Based on several assumed implementation dates, unemployment rates and behavioral responses, the net financial impact of the package on UI benefit payments was estimated.

	1979/80	**1980/81 (fully mature)**
Total reduction	$655 million	$935 million
Govt. reduction	$675 million	$885 million
Employer/employee	$ 20 million (increase)	$ 50 million (reduction)

For specific amendments, the reduction in benefit payments when fully mature was also determined.

Status of women issues concerned two main areas in which anticipated changes would adversely affect women. Representatives of women were first particularly concerned about the minimum insurability rule since most part-time workers were female. Second, they criticized the government for not taking action on much needed maternity benefit amendments.

While it was true that amendments such as the establishment of a 20-hour weekly minimum for insurability were expected to have a larger proportional impact on women, it was argued that there were other amendments such as the higher entrance requirement for repeaters and the higher income repayment provisions which had a stronger effect on men. Of the estimated total reduction in benefit expenditures of $935 million, 63 per cent would come from men. On balance, it was noted that the total impact of the complete package of amendments was not discriminatory toward women.

The Minister also noted that the Commission was studying possible maternity benefit amendments it had not been possible to prepare for C-14. He pointed out that several regulatory changes had been approved which increased flexibility in maternity benefits.

- Supplemental Unemployment Benefit (SUB) Plans, private sector plans which top up UI benefits, were extended to include plans for maternity only. (Before, SUB plan payments could only be made if maternity and layoff due to shortage of work were covered in the same plan.)
- Paid maternity leave would no longer be counted as earnings in the UI waiting period.
- Agreement in principle was reached to pay maternity benefits abroad.

In the Parliamentary Committee proceedings, three provincial ministers—those responsible for Social Services in New Brunswick, Ontario and Newfoundland—agreed to come and give the Standing Committee on Labour, Manpower and Immigration their views on Bill C-14. They were mainly concerned about the lack of consultation on the changes and the increases in provincial social expenditures arising from Bill C-14.

These ministers did not accept federal government estimates that the provincial share of additional social assistance costs Canada-wide would be $25.5 million in 1979/80 and $43.3 million in 1980/81. As an alternative, they proposed that the main provisions of C-14 be replaced with a two-tier benefit structure. It would pay benefits on the basis of whether or not a claimant had dependants. Claimants with dependants would receive two thirds of previous insurable earnings. Those without dependants would receive 50 per cent. The

Ministers felt this would be equitable and would achieve about the same savings as the C-14 changes without increasing provincial social assistance costs.

In a subsequent response to the proposal, Mr. Cullen made a number of points.

- The two-tier proposal would reintroduce an income transfer and needs-related element into the UI program. The dependency rate of benefit was eliminated in 1976 partly to strengthen the insurance basis of the program.
- Dependency status was a crude and arbitrary way of differentiating benefit rates that did not distinguish between the number of dependants or the family income level; as such, the proposal failed to achieve an appropriate distribution of program funds on the basis of either need or insurance considerations.
- There was no evidence that the lower income replacement ratio for claimants without dependants would provide a greater incentive to return to work. Indeed, there would be little impact in cases where the claimant not claiming dependants was a member of a dual- or multi-earner family.
- A dependency rate, because it would affect both major and minor attachment claimants, would not contribute to the objective of encouraging workers to establish more stable work patterns. Neither would it encourage greater attachment to the active work force, reducing claimants' dependence on UI.
- The proposal would also have an unintended but severe discriminatory effect on women. (The 1977 Comprehensive Review had revealed that women without dependants made up 95 per cent of claims by women, but that men without dependants only made up 58 per cent of claims by men.)
- A two-tier system would be fraught with administrative problems. The difference in definition of a dependant for UI and for income tax purposes would cause problems as would the year-end reconciliation of UI benefits paid on a weekly basis, with income tax and confidentiality of information implications.
- In summary, the fundamental issues the proposal raised required time for more in-depth examination than was available during the study of C-14.

Mr. Cullen stated that he remained convinced that the C-14 proposals would make a significant improvement to the program. He gave assurances that an analysis of the direction, orientation and design of the UI program for the 1980s would be pursued by the government.

There was also discussion in Parliamentary Committee on the inappropriateness of several of the new UI economic regional boundaries. The unemployment rate estimates used for determining entitlement to regional extended benefits were also questioned. On the

boundaries, concern was expressed that the boundaries often split labour markets, giving rise to different regional extended benefit entitlements to workers in the same labour market, solely because of where they lived. It was also contended some regions were still too large, offering the same extended benefit entitlement despite widely varying unemployment conditions in the region.

On the issue of the unemployment rate estimates, it was felt the Statistics Canada rates used to determine entitlement to regional extended benefits did not adequately reflect the real unemployment situation. This was felt to be particularly true in the north and in areas with a high native Indian population. This resulted in an amendment in the Bill to allow estimates of the number of Status Indians living on Indian Reserves to be included in the Statistics Canada regional rates of unemployment.

A number of other motions considered and defeated or ruled out of order in Committee reappeared when consideration of the Bill resumed at Report stage and at Third Reading in the House in December. Indeed at this time there were 31 motions to amend the Bill. Had they been agreed to, their effect would have been to eliminate or substantially modify virtually every one of the Bill's main provisions.

Debate in these areas and on the motions was intense and difficult. It was only by introducing a motion of closure on debate and committing the government to studying the problems raised about the UI economic regions (as well as a fundamental review of the program) that Mr. Cullen could end proceedings in the House of Commons with passage of the Bill on December 22, 1978. Immediate consideration by the Senate allowed Royal Assent on the same date.

Another development occurred during the period C-14 was under consideration. Unemployment insurance as part of the Canadian income security system was identified as a key question for further consideration in a paper on labour market policies presented by Mr. Cullen at the First Minister's Conference on the Economy, November 27-29, 1978.

As noted, during the course of the year, integration of insurance, employment and immigration functions and activities continued as regional offices in each province were established. This represented a doubling in the number of offices formerly existing at this level in the separate UI and Manpower and Immigration organizations. In addition, three quarters of the new integrated network of local offices was established.

The end of the year saw the average yearly unemployment rate increase to 8.4 per cent from 8.1 per cent in 1977. UI benefit payments had climbed by half a billion dollars in one year to a level of $4.5 billion for 1978. UI benefits now represented 2.0 per cent of GNP (the equivalent of 10.0 per cent of federal government expenditures).

Despite these developments, the cumulative year-end surplus had risen by over $300 million to $741 million. Accordingly, the basic premium rate for 1979 was reduced from $1.50 to $1.35 per $100 of

weekly insurable earnings. Maximum weekly insurable earnings were to increase to $265 a week in 1979.

1979

The year 1979 began with the implementation of the C-14 changes, except for the higher entrance requirements for new entrants/re-entrants and repeaters. It included a consequential change to the regulations which made the interruption of earnings for illness, injury and quarantine occur in the week when employment earnings dropped below 60 per cent of normal insurable earnings. In this way, the definition was consistent with the level of insurable earnings replaced by the 60 per cent benefit rate. The experimental phase of using UI funds for job creation was also launched. It was to test the feasibility of using UI funds to give productive activity to claimants with little prospect of getting work.

From January to March, six complaints were lodged with the CHRC about the regulations covering benefits to self-employed fishermen. A limiting factor on these payments was that when husbands and wives worked together, making the same catch, their earnings were pooled. This meant they could not file separate claims for UI. The provision was originally included when the earnings of fishermen's wives were below minimum insurable earnings. The addition of their earnings with those of their husbands allowed payment of higher benefits than otherwise. Complaints now alleged that denying independent coverage for fishermen and fishermen's wives was sexual discrimination under the *Canadian Human Rights Act*. After investigating, the CHRC determined that the complaints were justified and the practice discriminatory. A conciliator was appointed but the CHRC decided to take no action. It would await the outcome of a review of the UI program, including fishing benefits, which Mr. Cullen indicated was to be undertaken by the Commission.

With effect from May 6, 1979, maternity benefits became payable outside Canada.

The government changed in May 1979 with the general election but the commitment to a fundamental review of the program remained. The new commitment, made by the Conservative government, was to include a review of the former government's provision for new entrants, re-entrants and repeaters. Originally planned for June, the new entrance requirements had not been proclaimed in force by May. On reviewing the situation, the new government decided to proceed with their implementation in July but to undertake their immediate re-examination in a fundamental review of the program.

In June, a number of complaints were received by the CHRC that the new regulations on minimum insurability which eliminated some part-time workers from UI coverage were discriminatory because of their greater impact on women, who made up most of the part-time

work force. The Commission was asked by the CHRC to investigate these allegations.

In July, following an earlier announcement by the Honourable Ron Atkey, Minister of Employment and Immigration, a paper prepared by Employment and Immigration Canada and entitled *Unemployment Insurance in the 1980's: A Review of its Appropriate Role and Design* was distributed to various federal government departments, provincial and territorial governments, employer and employee associations, and representatives of women, among others. Its purpose was to set out the issues and process by which the government intended to undertake a fundamental review of the program.

The review was to be divided into two phases. First was the immediate re-examination of the provisions of Bill C-14 and other priority issues requiring early action. Some examples: the treatment of people who voluntarily quit jobs without just cause or who are fired for misconduct, consideration of a benefit rate structure based on dependants, eligibility requirements for maternity benefits and insurability of public sector job creation programs. Views of the various departments and representatives were sought by the end of August so that the government could proceed with legislation early in the fall. Implementation of amendments was planned for as early in 1980 as possible.

The second phase was to be an examination of all remaining problem areas facing the program. This was to be done over a somewhat longer period of time. It included issues such as the role and objectives of the program, the future of developmental uses of UI funds and program financing. It was to be structured so that consultation, consideration of views, decision and legislation could be achieved by the fall of 1980, with implementation as early as possible in 1981.

In letters and briefs responding to the July paper, there was broad, general support for a fundamental review of the UI program. Many respondents disagreed with the division of the review into priority and long term issues, particularly when they included the role and objectives of the program in the latter category. (Many felt this should be looked at first.) Most groups were critical of the timing for the first phase. It was seen as too short and leading to more *ad hoc* amendments.

Employee and employer groups held to their traditional views on the issues being examined in the first phase. Representatives of women came out very strongly against a dependency benefit rate structure and in favour of eliminating the new rules for minimum insurability as soon as possible. Provincial governments expressed concern about the issues and about consultation during the review. They also questioned the implications, particularly of short term amendments, for provincial social assistance costs and provincial economies.

On September 11, 1979, a federal-provincial deputy ministers' conference was held in Ottawa to review questions on UI, training,

immigration and labour market information. With the UI review as one of the main agenda items, the Commission indicated that amendments were being considered for legislation later that fall. Several areas were under review:

- tougher treatment for people who voluntarily quit without just cause or were fired for misconduct,
- a benefit rate structure based on dependants, including insurance coverage for higher income workers,
- more flexible options for maternity benefit eligibility,
- eliminating coverage of employment on government job creation projects,
- changes in the entrance requirements (either continuing the variable approach or introducing a fixed entrance requirement for all claimants),
- changes in the new minimum insurability rules,
- allowing more flexibility in the developmental uses of UI funds,
- changes in the 25 per cent allowable earnings rule, and
- elimination of or a change to the threshold financing formula to reduce government costs without affecting program expenditures.

Provincial government deputy ministers repeated earlier concerns. They stressed the importance of information sharing on the part of the federal government so that provincial governments could assess and comment on the impact of specific options on provincial economies, particularly on social assistance costs. Commission representatives agreed to a sharing of information. They felt it could begin within the next few months.

The first information was a paper dated October 15, 1979, in which the Commission outlined the options in the areas noted above and the new timetable for the first phase of the review. Introduction of legislation was now expected by March of 1980. This paper was also sent to the other departments and organizations involved in the review.

The federal government budget, introduced on the night of December 11, 1979, included a proposal to eliminate the financial threshold, resulting in the charging of all initial and labour force extended benefits to the UI Account. It also included a proposal to charge the cost of employment and related services under the UI Act to the UI Account. Up to that time, the costs of these services were paid for from general revenue through departmental appropriations. These two measures were to be accompanied by an increase in the premium rate effective in January 1980 from $1.35 to $1.60 for every $100 of weekly insurable earnings. The defeat of the budget on December 18 left these proposed changes in limbo.

A number of other developments within and outside the Commission were worthy of note. Within the Commission, the remaining quarter of offices comprising the new network of integrated labour market and insurance CECs was established. A modified Record of Employment form and a Report on Hirings program were implemented nationally to further tighten and improve administrative and program controls. Testing of on-line computer systems which would instantly process employment orders and give up-to-date UI claim information began. Plans for the developmental use of UI funds for job experience training (a form of wage subsidy program) were suspended. An acceptable design for the program under the UI Act could not be found without contravening provincial minimum wage laws.

Work also began and continued during the year on the problems raised late in 1978 in the House of Commons about the UI economic regional boundaries. By the time the study was fully under way, representations had been received from five constituencies: Madawaska-Victoria in New Brunswick, South West Nova in Nova Scotia and Charlevoix, Rimouski and Kamouraska/Rivière-du-Loup in Québec. At the request of the M.P. for Bellechasse, Québec, this constituency was also considered in the review.

Family allowances were enriched with the introduction of a refundable child tax credit geared to family income and applicable in the 1979 tax year.

By the end of 1979, the unemployment rate for the year had declined almost a full percentage point to 7.5 per cent. UI benefit payments were also down over one-half a billion dollars from $4.5 billion in 1978 to just under $4 billion in 1979. (Thirty-one per cent of this was charged as the government's cost of paying benefits.) The year-end cumulative surplus was down from $741 million in 1978 to $650 million in 1979. The premium rate remained at $1.35 going into 1980 and maximum weekly insurable earnings increased to $290.

The 1970s in summary XIV

In retrospect, for unemployment insurance, the decade of the 1970s was nothing short of remarkable.

A new, more extensive program design was put forward in 1970 in an atmosphere of social expansiveness to make the program more relevant to the socio-economic conditions of the 1970s. Embodied in legislation in 1971, it involved the establishment of a new relationship between insurance and non-insurance (income transfer) principles. For example, initial benefits (related to labour force attachment) were considered as insurance elements. Extended benefits (related to unemployment conditions) were considered as income transfer elements. It also involved enrichment of the program: the jobs of more workers became insurable, the additional contingencies of sickness, maternity and retirement were covered, entrance requirements were lowered and benefit rates became more generous.

As it turned out, a combination of the features of the 1971 Act and changing labour market and economic conditions (in particular, higher unemployment) led to an immediate and significant extension of the program. At the same time, there was an increase in total program costs including a higher proportion of costs allocated to the federal government.

The ink was barely dry on the legislation before the ceiling on cash advances from the Consolidated Revenue Fund to the UI Account for the payment of benefits was removed. With further domestic and international pressures resulting in increased inflation, budget deficits and unemployment, the government introduced a series of legislative changes to contain the expansion of the program and ensure a more positive effect on the labour market.

These actions took place in periods of high unemployment which made their acceptability more difficult. Indeed, after 1975, consideration of amendments to the program became ever more contentious. Tighter provisions were achieved in Bills C-27 and C-14 with increasing difficulty and often only by changes to lessen the impact of the original amendments.

Deciding which proposals for change might get the highest degree of acceptability was not easy. There were widely different views expressed in studies of public perceptions of the program, in submissions of various organizations and in statements from the provinces. Employee representatives, for example, consistently opposed any cutback in the more generous provisions which they strongly supported in 1970 and 1971. Employer representatives, on the other hand, consistently supported curtailment of the program, stating that some measures did not go far enough in tightening up the program. Major public opinion surveys undertaken also supported a tougher approach to design and administration of the program. Provincial concerns in

the mid-1970s related to lack of consultation by the federal government about proposed changes and the adverse impact of changes on provincial social assistance costs. Toward the end of the decade these concerns were broadened to include the adverse impact of curtailments on provincial economies. Attempts were made to propose alternatives which would eliminate such adversities. Issues of particular concern to representatives of women, such as inequities and the adverse impact of various provisions, also emerged in the middle of the decade. These concerns, together with human rights issues relating to discrimination in certain provisions, became more important by the end of the 1970s.

Inevitably, with these developments came a greater concern about the effect of the program on the labour market (particularly work incentives), income stabilization and redistribution and about the administration of the program.

Looking at the main design features of the program, the pendulum of liberality was seen to swing from the less generous to the more generous and part of the way back. For example, the entrance requirements, perhaps the most contentious feature of the program, began the decade as 30 weeks of insurable employment in the 104-week qualifying period, eight of which had to be in the last year. In 1972, 20 weeks in the 52-week qualifying period were needed for sickness, maternity and retirement benefits and eight weeks for regular benefit. In late 1977, a variable requirement of from 10 to 14 weeks, determined by the regional unemployment rate, was needed for regular benefit. In July 1979, higher entrance requirements of up to 20 weeks for repeaters and a full 20 weeks for new entrants/re-entrants were superimposed on the variable entrance requirement.

In areas like disqualifications, the pendulum swung a full revolution as changes took the maximum disqualification from six weeks to three weeks and back to six. Other areas like sickness and maternity benefits and benefits for self-employed fishermen, were enriched in the name of equity in the 1970s. In addition, measures for the developmental use of UI funds, new to the Canadian program, were introduced.

Despite ten years of continuous legislative and administrative change, the end of the decade left the UI program more complex, more difficult to administer and more costly than ever before. (It should be stressed that the total cost of the new program would have been even higher by the end of the decade without the post-1975 legislative changes.) Perhaps even more significant, there remained no consensus on what constituted the optimum role, objectives or elements of the program, whether alone or as part of the Canadian income protection system.

Developments in 1980 XV

In February 1980, the Auditor General advised the Commission of the latest results of their continuing joint investigation of undetected overpayments and underpayments. In summary, his findings for 1978 were that undetected overpayments totalled $290 million and undetected underpayments totalled $67 million. Errors by employers in completing the Record of Employment were found to account for about 49 per cent of these overpayments and underpayments. Claimants failing to report work and earnings represented 20 per cent and the remaining 31 per cent were attributed to administrativer error. By March, a month before the public announcement of this information, the Commission had approved and was implementing a broad framework for action in an effort to reduce the weaknesses identified by the Auditor General.

On April 16, the Honourable Lloyd Axworthy, Minister of Employment and Immigration, introduced Bill C-3 for First Reading in the House of Commons. It contained two amendments to the UI Act. The first extended until June 1982 the 10- to 14-week variable entrance requirement, due to expire in December 1980. This amendment was to allow time for a review of the fundamentals of the UI program which Mr. Axworthy noted was underway. The second amendment involved shifting the remaining government costs of initial and labour force extended benefits to the private sector through elimination of the threshold financing formula. UI premiums would assume the total cost of benefits in these two phases. The federal government would continue to pay the cost of regional extended benefits from general revenue.

The Minister also announced two important regulatory changes. The first related to the administrative costs of employment and related services. Effective April 1, 1980, both these and the costs of administering the UI program came out of employer and employee premiums at an estimated additional charge of $246 million for the 1980/81 fiscal year.

The second regulatory amendment would establish a new basis for minimum insurability. The 1979 changes, which meant that most employees had to work at least 20 hours a week to be insurable, had solved one problem. But it had created others calling for remedial action. Many workers, particularly women in part-time jobs, were denied coverage in 1979 and 1980 because of that change. To provide equitable treatment for workers and adequate coverage of part-time employment, the basis was to change to either hours or earnings. Specifically, from January, 1981, the Minister proposed that a person who worked either one fifth of the maximum insurable earnings or 15 hours a week would be eligible for coverage and benefits. The significance of the change was that it would extend UI coverage to

approximately 300,000 workers at an annual cost of $100 million in benefits. (UI premiums would pay $75 million of it and $25 million would be paid by the federal government.)

The spring also saw the use of on-line computer systems for UI and job order processing expanded to major metropolitan areas. This move, with continued expansion expected into the mid-1980s, was to be an important step in setting up quick, one-stop service to the clients of the integrated Commission.

At the end of April, a draft report was prepared by the group working on the problems relating to the UI economic regional boundaries. From the report and discussions with the Members of Parliament involved, three changes came up for consideration:

- in New Brunswick, to join the Restigouche and Madawaska regions to form one new region (implemented September 14, 1980),
- in Nova Scotia, to join the Digby and Annapolis UI regions to form one combined region (approved for implementation effective February 15, 1981),
- in Québec, to join the Gaspé, Northern Québec and Québec regions and remove metropolitan Québec, which would form its own region (an amendment to modify the Gaspé/Québec and the Québec/Northern Québec boundaries was approved for implementation effective May 17, 1981).

In May, the appeal provision of Bill C-27 was implemented. It gave broader and more equitable appeal rights and increased the number of justices authorized to hear appeals at the Umpire level.

June 3, 1980 marked the conclusion of another significant appeal under the UI legislation. It related to the contentious area of regular benefits to those 65 years of age and over which had been terminated with Bill C-69 in January, 1976. Following implementation of Bill C-52, the 1977 special measure to pay claimants 65 and over benefits from January 1, 1976 to the date a Canada or Quebec Pension became payable, an appeal was lodged. It was argued that Bills C-69 and C-52 took away the claimant's acquired right to benefits which had started before C-69 took effect. As such, UI benefits should have been paid to the end of the claimant's benefit period and not terminated when a Canada or Quebec Pension became payable. When the Federal Court of Canada concurred with this view in its decision, the Commission appealed to the Supreme Court of Canada. After hearing the appeal, the Supreme Court overturned the decision of the Federal Court, indicating that not to do so would have conferred on the claimant a greater entitlement to benefit than such a person would have had before the C-69 and C-52 changes.

On June 18, 1980, Parliamentary consideration of Bill C-3 began with Second Reading in the House of Commons. Mr. Axworthy noted in his remarks on the Bill that the proposed change in the financing of UI benefits would reduce the government's share of total costs to about 20 per cent. This was the level it was before the 1971 legislation. If implemented July 1, 1980, he noted, it would reduce

government expenditures by $378 million for the balance of the 1980/81 fiscal year. The Minister also viewed the recently implemented charging of employment services costs to the UI Account as a logical result of the integration of the insurance and employment services. Neither change was to result in a premium rate increase for 1980.

The Minister emphasized the importance of taking time to distill the large number of recent studies on the UI program. These studies were done in recent years as part of a review of the program's fundamentals. A paper would then be produced for consideration by Parliament, the private sector, the provinces and others. In conclusion, Mr. Axworthy urged support for the Bill, noting the review lay ahead and that Bill C-3 did not affect the review.

There was general support in the House for the extension of the variable entrance requirement and a review of unemployment insurance. Concerns were expressed, however, that the review could result in further cost cutting and an even more complicated scheme. Although some members supported the financing measure which was originally proposed in the December 11, 1979 budget, others opposed it as a further, unfair shift of the federal government burden onto the shoulders of the workers.

Other concerns, not directly related to the Bill were also noted in debate. Among these were the issues of UI economic regions, disqualifications for people who voluntarily quit without just cause, claimant and employer penalties, part-time workers and employment with more than one employer. The Bill was given full consideration by the Parliamentary Committee in one meeting on July 8, without the usual submissions from organizations interested in UI.

Bill C-3 received Royal Assent on July 17, 1980 and in accordance with its own provisions, was considered to have been in force from July 1, 1980.

While C-3 was being considered, a number of other developments occurred. In June, it was decided to allow separate coverage of the earnings of fishermen and their wives, effective from January 1980. This followed a number of complaints lodged with the CHRC in 1979 alleging discrimination on the basis of sex. The new regulations permitted separate benefits for fishermen and their wives on claims filed in the fall of 1980. The additional UI benefit cost was estimated at $7.3 million in 1981.

On June 27, 1980, the Supreme Court of Canada ruled on a case involving maternity benefits. This case involved a teacher in the non-teaching period, on a continuing contract of service. In practice, the Commission stopped paying benefits in the July and August non-teaching period if the teacher's contract continued into the next teaching year. In these situations, the Commission considered that there was no interruption of earnings. The Supreme Court ruled against this interpretation, holding that money received by the teacher before her maternity period was for services provided before that date. As a result of this decision, the Commission quickly reinstituted a teachers' regulation in July. (See Appendix G.) It stated that, apart

from maternity benefits, UI benefits would not be payable to teachers in the non-teaching period unless

(a) the contract of service in teaching ended on or before the start of the non-teaching period, or

(b) the teacher was employed as a casual or substitute teacher, or

(c) the teacher qualified for benefits because of employment in an occupation other than teaching.

An amendment to the UI Act was also made during the then current session of Parliament in Bill C-22, the *Adjustment of Accounts Act*. This Bill received Royal Assent on July 10, 1980 and became effective retroactive to April 1, 1980. It changed the financial provisions of the UI Act and other statutes to ensure consistency by placing accounting transactions involving federal government expenditures on a fiscal year basis. For the UI Act, it required the government cost of paying benefits to be credited to the UI Account from the Consolidated Revenue Fund in every fiscal year of the Government of Canada. This differed from the previous arrangement in which the crediting in respect of the year was done after each calendar year.

Also in July, terms of reference for a task force of Employment and Immigration Canada officials, created to undertake the review of the UI program mentioned by Mr. Axworthy in his remarks on Bill C-3, were produced. The terms of reference, of which this study was part, were released in the summer to a variety of interested individuals and organizations. They identified the task force's main responsibilities, described the issues and specific problem areas to be examined and gave some considerations relating to options for change. They also spelled out the schedule, method of operation and process of consultation for the review. The process was aimed at the introduction of amendments to the UI Act in late 1981 or early 1982. (See Appendix H for the complete terms of reference.)

In the fall, the Commission had a major public opinion survey undertaken of its unemployment insurance, labour market and immigration programs. For UI, it represented the third major survey on overall attitudes since 1974. The 1980 study found that Canadians in a ratio of almost two to one approved of the UI program; this was up from a level of just over half in the 1974 and 1975 surveys. The proportion of Canadians considering abuse widespread declined to 26 per cent from 39 per cent in 1975. But two thirds of the respondents felt that too many benefits went to people who did not need them. As in the previous studies, two thirds of Canadians felt there should be changes to make UI firmer. For example, in 1980, respondents felt on average that 32 weeks of work should be required to qualify; this was similar to the 1974 and 1975 findings.

The attitudes of employers in this kind of survey were also sought for the first time in the 1980 study. In comparative terms, the public appeared to give the program a more solid endorsement than employers. For example, less than half of employers approved of the program, and 43 per cent felt there was widespread abuse. But areas

of similarity existed in that employers, on average, felt 31 weeks of work should be required to qualify for UI.

Evidence of continuing or increasing concern in other areas was also seen in 1980. One was the question of whether UI benefits should be based on dependants or family income. Representatives of women have remained of the view that serious consideration should not be given to introducing a benefit rate structure based on dependants because of its potentially adverse impact on women. They have expressed similar concerns about basing unemployment insurance on the family unit. Under one such scheme outlined in an Economic Council of Canada discussion paper by J. E. Cloutier and A. M. M. Smith, entitled *The Evaluation of an Alternative Unemployment Insurance Plan*, premiums of all family members would continue to be collected on an individual basis. The insurable earnings of the family unit would be found by adding together the insurable earnings of the individuals. When a family member became unemployed, benefits would be based on the difference between the total insurable earnings and the earnings of the remaining employed family members. In other words, benefits were only triggered when the remaining family income dropped below the family's total insurable earnings. It has been noted that such a plan could have a highly negative impact on the lower income earners in a family unit. In comparison with the present program, women and children in middle and upper income families in particular could have their beneifts reduced or eliminated entirely under such a plan.

A second area of concern was benefits for self-employed fishermen. Almost a full decade after its announced intention to discontinue UI coverage of self-employed fishermen, the government appeared no closer to this objective. Benefits had been enriched, costs had escalated and the program was now being seen in some quarters as an income supplement fraught with disincentives.

A third and final area of concern was additional complaints received by the CHRC. These complainants charged that it is discriminatory not to pay benefits to adoptive parents and fathers who have to leave work to look after newborn or adopted children when UI pays maternity benefits to natural mothers. (These complaints are now with the Commission for consideration.)

At the end of the year, the unemployment rate for the year remained at the same level as for 1979, that is, 7.5 per cent. UI benefit payments had increased by $300 million over the 1979 level to $4.8 billion for 1980 (21 per cent of which was the government's cost of paying benefits). The preliminary estimate of the year-end cumulative surplus was $6 million, down significantly from the $650 million level in 1979. The premium rate and the maximum weekly insurable earnings were both to increase in 1981. Factors including the 1980 shifts in UI costs to the private sector gave rise to the setting of a premium rate for 1981 of $1.80 per $100 of weekly insurable earnings. Maximum insurable earnings were to increase to $315 a week. The main features of the UI program as it will operate at the beginning of 1981 are summarized in Appendix I.

Perspective and implications XVI

With the chronological tracing of the evolution of the UI program complete, it remains to distill forty years of experience with unemployment insurance into a perspective on the past. In developing this perspective, with particular focus on the recent past, there emerge several significant themes and observations. Some of these could have an important bearing on the direction of future changes in unemployment insurance.

Role and objectives

Unemployment insurance in Canada was conceived as a result of changing social values toward the unemployed, changes which included a recognition that unemployment was frequently outside the control of the individual. UI was originally proposed to promote the social and economic security of workers in a national income protection scheme which provided benefits from the time workers left one job until the time they got another. The fact that the National Employment Service was seen as an important and necessary adjunct to UI from the outset highlights the significance attached to the connection between UI and the labour market.

Evolving from this were the dual objectives of UI:

(a) to provide income protection for workers suffering temporary income interruptions, and

(b) to facilitate the best possible match between unemployed workers and available jobs.

Though the wording of and the emphasis on each varied over the years, the basic thrust of these objectives remained. The period up to the implementation of the 1971 legislation can be described as a period in which the income protection objective was given more emphasis than the labour market objective. Thereafter, increased weight was given to the latter. Questions and suggestions about other objectives such as the prevention of poverty or income redistribution were discussed from time to time but were generally considered more as important effects of the program rather than objectives. The role of the program as a national income protection scheme was best articulated in the late 1960s—it appears to have been accepted as it has not been a significant subject for discussion since.

The period of greater emphasis on the income protection objective was, however, accompanied by a gradual shift in the thrust of the program. Originally, UI was meant to provide temporary income protection in the event of cyclical and frictional unemployment. Over the years, it also became a response to seasonal and structural

unemployment. Today, for many, it remains temporary income protection, as originally designed. For others, however, it has become a regularly used guaranteed income plan—a kind of annual security blanket. Indeed, the climate of the 1970s specifically contributed to the confusion in sorting out the social and economic role of UI including, for example, the relative weight given to considerations of insurance versus income transfer.

The main question for determination is whether the dual objectives remain appropriate for the program of the 1980s, and if so, what balance should be struck between them and how this will be done through changes in program design. The setting out of the role and objectives in a manner which is clearly understood and broadly acceptable will be one key to the program's future success.

Relationship to the income security system

There is little evidence that the evolution of the UI program had very close connections to the development of the income security system in general. In fact, the income security system itself developed more in response to perceived needs and pressures over time than as a strategy. Except for the initial and fundamental priority of restoring prosperity to post-war Canada following 1919 through social legislation, its development has come about over the years as a series of specific measures to fill identified needs and gaps in social policy. In the circumstances, it probably could not have happened in any other way.

Following the enactment of the *Old Age Pensions Act* in 1927, UI was seen as the next step in a succession of income security programs. They were later to include such measures as Family Allowances in 1945, Old Age Security in 1951, Unemployment Assistance in 1956, the *Canada Pension Plan* in 1965 and the *Canada Assistance Plan* in 1966. Taken together, these represented the introduction into Canada of the so-called "welfare state" between 1941 and 1970. All were designed to attack extreme disparities across the country and provide a greater measure of equality in the opportunities available to all Canadians.

In comparing the program before and after 1970, the fact is easily demonstrated that UI has become an increasingly significant and integral part of the Canadian income protection system. In the thirty years to 1970, UI benefits totalled about $5 billion. From 1971-1979, on the other hand, they amounted to almost $25 billion. Though the gap between these figures would be narrowed if expressed in constant dollars, the magnitude of payments in the post-1970 period remains significant. Looked at in relation to Gross National Product (GNP) and federal government expenditures, UI made up less than 1 per cent of GNP and 5 per cent of federal government expenditures in any year up to 1970. (For example, 1970 UI payments were 0.8 per cent of GNP and 4.6 per cent of federal expenditures.) By 1975, this had more than doubled. UI payments equalled 2.1 per cent of GNP and 10.1 per cent of federal expenditures. This declined marginally

by 1978 to 2.0 per cent and 10.0 per cent, respectively. As a single federal government program, UI has consistently paid out more in benefits per year than any other single program except old age security at all levels of government.

There was some importance placed on the need for harmonizing and rationalizing certain UI amendments in the context of enrichment of other elements of social security, particularly from 1970 onward. But other than being one of the programs within the system, UI has had only a tangential relationship to it. This is not to say, however, that changes in the design of UI and other income security programs had no impact on each other. To the contrary, the curtailments of the post-1975 period, for example, were seen to have important implications for provincial social assistance. Yet despite its magnitude, the UI program has never been fully reviewed in a fundamental way as part of a review of the entire income security system.

Legislative instability

In assessing the program more specifically in its own right, the 40 years of unemployment insurance in Canada are indeed a chronology of response—response to needs and pressures perceived by politicians, officials, organizations and the public. Excluding the 1940 Act, this response has involved 28 amendments to the statute and a myriad of regulatory changes. The 1940s was a decade of growing pains, with coverage extensions and benefit rate and contribution adjustments. The adjustments were carried over into the 1950s. In 1955, there were also significant amendments, including a consolidation of the 1940 Act. Other periodic adjustments were made through the 1960s, the decade of greatest legislative stability for UI. The new and innovative approach to UI of 1970, embodied in the 1971 Act, was soon seen as too expansive. Amendments in the balance of the decade and in 1980 were aimed at curtailing the program and shifting the costs so that more would be borne by premiums and less by the government.

There is little to suggest that this serious degree of instability could have been avoided. As UI proceeds further into the 1980s, a wide range of contentious program issues, largely a product of the legislative instability in the post-1975 period, remain. These include

- the program's impact on the labour market, the economy and society,
- conflicts on the reconciliation of insurance principles and considerations of need and income transfer and the implications this has for the program,
- specific design issues like insurability, the method of calculating insurable earnings, the fairest entrance requirement and benefit structure, the disqualification provisions, the extent and appropriateness of program regionalization, financing, the coverage of

people in highly seasonal jobs, the terms and conditions of illness, maternity and related benefits, the treatment of earnings, penalty provisions and the links between UI and other labour market programs.

Developments witnessed over the last 40 years, the identified contentious issues and the impact of future changes in the economy and social values suggest the probability of continued rather than diminished legislative instability in the UI program.

Complexity and administration

The design of the UI program was never simple. It is perhaps most appropriately described in its 1940 form as detailed. Complexity in the early years arose from the seasonal regulations and the special benefits for self-employed fishermen. The 1971 legislation, however, introduced new intricacies and interrelated provisions, including several different sets of eligibility requirements and a five-phase benefit structure. In effect, entry to the UI system depended on the reason for separation from employment and benefits were based on the length of labour force attachment and prevailing unemployment rates. At this stage, the program was both comprehensive and complicated. The separate program for self-employed fishermen remained as an adjunct and additional features were added later in the 1970s. Most notable in their complexity were the variable entrance requirement and the higher entrance requirements for new entrants, re-entrants and repeaters. By 1980, the UI Act could only be described as complex.

The increasing complexity over the decade following the 1971 legislation brought increasing difficulties in program administration. There were problems in applying job search and availability requirements in periods and areas of high unemployment and these problems were compounded by the increasing complexity of the Act. The rising number and significance of appeals and their implications are an indication of the difficulties in drafting, interpreting and administering the legislation. Perhaps the clearest testament of the inherent difficulties in administering a complex program was provided by the Auditor General. His reports have revealed that despite continuing efforts to improve the administration of the program, the volume of incorrect benefit payments has continued to rise at an alarming rate. (Most incorrect payments, however, were the direct result of employer errors on the Record of Employment and improper reporting of earnings on claim by claimants.)

Although efforts may have been made over the last decade to streamline the 1971 UI Act, no significant progress was made—perhaps progress was not achievable under the circumstances. The message for future endeavours is clear. Serious attempts must be made to simplify the program or progress in the effective use of financial and personnel resources for unemployment insurance will be limited.

Attitudes

Attitudes to unemployment insurance have been reflected in the briefs and letters received, discussions held and surveys done in recent years. Labour representatives continue to oppose program curtailments. Business representatives continue to press for reduced entitlement and higher entrance requirements. Women's representatives continue to favour further liberalization of maternity and related benefits. They also express concern over any change that may have a negative impact on women. Provinces are increasingly concerned about amendments which they feel could give rise to increased social assistance costs. Representatives of high unemployment areas, particularly east of the Ottawa River and in the north, continue to oppose changes which would curtail benefits in their regions.

It is no surprise, with these examples of widely divergent views, that the public ambivalence to the program first identified in the early 1960s has continued. Humanitarian instincts for social equity seem to have been constantly at war with harsher economic considerations. As a result, most public opinion survey respondents continue to believe that UI is basically a sound and appropriate program. At the same time, they feel that some of its requirements are too easily met and that benefits often go to the wrong people.

If there have been any common views, they centre on three areas. Virtually everyone agrees that the program is too complex. Many representatives also agree that past approaches involving a series of *ad hoc* amendments should be stopped and replaced by a long term, fundamental review of the program. In addition, most would like to see the development of improved methods of consultation before changes are decided on.

The "insurance" character

The introduction of the seasonal regulations in the 1940s put a strain on the prevailing strict insurance nature of the program. But it was the introduction of supplementary benefits in 1950 and the special program of benefits for self-employed fishermen which were the major departures from the strict insurance nature of the program. Since that time, the orientation of the program has continued to change. Various provisions referred to by some as need and income transfer elements have been introduced and removed. At present, the most significant perceived income transfer elements are regional extended benefits and benefits for self-employed fishermen. Over the entire period, however, the main thrust of UI as an insurance program has prevailed through the national pooling of both the risks and the costs of unemployment.

Consideration might be given to a return to the 1940s approach where every potential change had to succeed in a test against strict insurance principles. The scope for this would, however, be limited by equity considerations and by the extent to which immediate and acceptable replacements could be found for those program elements failing the test.

Equity and avoiding discrimination

Equity has always been an important aspect of unemployment insurance. Many program amendments were made to eliminate inequities in the treatment of various categories of individual. Sometimes, these resulted in the introduction of new inequities.

In the last half of the 1970s, equity, particularly relating to the provisions of unemployment insurance affecting women, increased in significance. Concern about potentially discriminatory aspects of the legislation also emerged. Steps were taken to resolve issues in these areas, which invariably led to increased program costs. The importance of equity and the avoidance of discrimination are likely to increase in the 1980s.

Labour market considerations

Another theme relates to various labour market developments not explored in detail in this study. Some of these, which have reflected changed economic circumstances and social values are

- an increase in the number of multiple earner families,
- an increase in labour market participation and unemployment, particularly among women and young people,
- marked shifts in job creation so that in both absolute and relative terms, more jobs are being created in the tertiary sector than in the primary and secondary sectors of the economy,
- increases in regional employment and unemployment differences of eastern provinces versus western provinces,
- increases in the proportion of part-time work in relation to full-time work,
- structural adjustments due to international competition, technological change and other factors, resulting in the coexistence of high unemployment and skill shortages.

These and other changes which will occur, are likely to give rise to yet unknown pressures to which UI will have to respond. Given the importance the government has placed on integrated UI and labour market services as well as the changing environment, a question for the future thrust of the program is whether UI should perform primarily an income replacement function or whether it should more actively strive to aid the process of structural adjustment through closer links to labour market and other programs.

The decision-making process

Changes in the UI program in the early years were mainly based on operational experience weighed against perceived implications for the program. Over the years, as analytical capabilities increased, decisions were based on more detailed policy analysis. There was almost

always, however, an element of subjectivity involved in the process. It was already noted that with many of the changes made over the years, there is likely no road back—nor would it necessarily be desirable to eliminate provisions simply because of difficulties encountered, particularly when there may be nothing acceptable with which to replace them. On a number of occasions, however, in the distant and recent past, changes were made for a particular purpose or group, sometimes without fully weighing the change's effect on the overall integrity of the program or on all of the major design parameters of costs, equity, simplification or labour market impact. This, together with the obvious emphasis in the post-1975 period on cost reductions, underlines the importance of weighing all these factors very carefully in future decision-making processes.

Concluding observation

Canada proceeds into the 1980s with relatively high unemployment rates, serious inflation, continuing regional and income-related disparities and signs of important adjustments in the labour market and economy. Unemployment insurance has become and is likely to continue to be a mosaic of increasingly complicated trade-offs. Though clearly not the climate for further significant expansion of the UI program, it could provide an appropriate setting for the balancing of considerations required to guide the program to previously unachieved simplification, equity, and optimum use of resources.

Appendix A
Seasonal provisions (1940 to 1956)

Authority in 1940 Act—Section 42

42. (1) Where it appears to the Commission that the application of the provisions of this Act in the determination of benefits for classes of persons,—

(a) who habitually work for less than a full working week,

(b) whose normal employment is for portions of the year, but only in occupations which are seasonal, or

(c) who by custom of their occupation, trade or industry or pursuant to their agreement with an employer are paid, in whole or in part, by the piece or on a basis other than that of time,

would result in anomalies having regard for the benefits of other classes of insured persons, the Commission may make regulations which shall, in relation to the said classes of persons impose such additional conditions and terms with respect to contributions and the payment thereof and with respect to the receipt of benefit and such restrictions on the amount and period of benefit and on the number of days of any period of unemployment to be excluded from the benefit period, and make such modifications in the provisions of this Act relating to the determination of claims for benefit as may appear necessary to remove or substantially remove the anomalies.

(2) The Commission shall give such public notice as it considers sufficient of its intention to make regulations under this section and shall receive any representations which may be made to it with respect thereto.

(3) Regulations made in pursuance of this section may apply either generally to all the persons specified in subsection one of this section or to any class of those persons or to any portion of such a class or with respect to them or any of them in any specified area.

1946 Regulation—Inland water transport

12. (1) The Commission hereby declares that transportation by water on any of the inland waters of Canada, as defined in the Canada Shipping Act, 1934, is a seasonal industry.

(2) Notwithstanding the provisions of the Unemployment Insurance Act 1940, as amended, an insured person who has been employed in the industry described in subsection one of this section and who is unemployed and fulfills all the other conditions of entitlement to benefit under the Act, shall not be entitled to receive benefit in respect of periods of unemployment occurring during the period commencing January first and ending March thirty-first in any year, (hereinafter referred to as the off-season), unless

(a) Of the contributions paid in respect of him under the Act, for the forty-eight days of insurable employment immediately prior to the day

on which the benefit year commences, not less than twelve were made in respect of employment in an industry which is not seasonal; or

(b) Contributions have been paid in respect of him under the Act for not less than four hundred and twenty days during the two years immediately preceding the day on which the benefit year commences; or

(c) Contributions have been paid in respect of him under the Act for not less than forty days during the period comprising the two off-seasons immediately prior to the day on which the benefit year commences.

1948 Regulation—Inland water transport and stevedoring

12. (1) If more than twelve of the most recent forty-eight contributions required to be recorded under the Act or Regulations in respect of the employment of an insured person prior to the commencement day of his benefit year, are seasonal contributions, such person shall for the purposes of this section be a seasonal worker.

(2) A seasonal worker shall be entitled to receive benefit for days on which he is unemployed in any off-season, applicable in his case, only if he fulfils all the other conditions of entitlement to benefit, and if

(a) not less than four hundred and twenty contributions were recorded pursuant to the Act or Regulations in respect of his employment occurring within the two years immediately preceding the commencement day of his benefit year; or

(b) not less than the respective number of contributions mentioned hereunder opposite the seasonal industry applicable in his case were so recorded for employment occurring in any such off-seasons or parts thereof including in the period of two years immediately preceding the commencement day of his benefit year:

Seasonal Industry	No. of Contributions
Transportation by water	50
Stevedoring:	
Inland Ports	50
Deep sea ports	85

Provided that where, by reason of paragraphs (a) or (b) such seasonal worker is not entitled to benefit during any off-season beginning after the commencement day of his benefit year, the period of two years therein mentioned shall thereupon be construed as if it were the period of two years immediately preceding the commencement day of such off-season.

(3) The seasonal industry applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

(a) where his seasonal contributions included in the aforesaid forty-eight contributions were in respect of employment in only one seasonal industry, the seasonal industry applicable shall be that industry;

(b) where the said seasonal contributions were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of such seasonal contributions were required; however, in the event that the number of seasonal contributions in two or more

seasonal industries is equal, the seasonal industry applicable shall be the one thereof in which the most recent of such seasonal contributions was required.

(4) The off-season applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

(a) where the particular seasonal industry applicable in his case is transportation by water, the off-season applicable shall be the off-season for transportation by water, namely, the period commencing on December 16 in each year and ending on April 14 next thereafter;

(b) (i) where the particular seasonal industry applicable is stevedoring and said seasonal contributions were in respect of employment in inland ports only or in deep sea ports only, the off-season applicable shall be the off-season for the ports where the employment took place, namely, for inland ports the period commencing on December 16 in each year and ending on April 14 next thereafter, and for deep sea ports the period commencing on May 16 in each year and ending on December 14 next thereafter;

(ii) where the particular seasonal industry applicable is stevedoring and the said seasonal contributions were in respect of employment in one or more inland ports and also in one or more deep sea ports, the off-season applicable shall be the off-season for the inland ports or deep sea ports, as the case may be, where the employment resulting in the greatest number of such seasonal contributions took place; however, in the event that the aggregate number of such seasonal contributions in respect of inland ports and the aggregate number in respect of deep sea ports are equal, the off-season applicable shall be the off-season for the port where the employment resulting in the most recent of such contributions took place.

(5) In this Section

(a) "seasonal contribution" means a contribution required to be recorded in respect of an insured person's employment in a seasonal industry.

(b) "seasonal industry" means and includes the following respective industries which the Commission hereby declares to be seasonal industries:

(i) The industry of transportation by water on any of the "inland waters of Canada" as the latter expression is defined in the Canada Shipping Act, 1934, herein referred to as "transportation by water";

(ii) the industry of stevedoring in any of the inland or deep sea ports, herein referred to as "stevedoring".

(c) "inland port" means a port on any of the said inland waters of Canada.

(d) "deep sea port" means the port of Halifax, Nova Scotia and the port of Saint John, New Brunswick.

1949 Regulation—Inland Water Transport and Stevedoring

Seasonal Worker

12. (1) If more than nine of the most recent thirty-six contributions required to be recorded under the Act or Regulations in respect of the

employment of an insured person prior to the commencement day of his benefit year are seasonal contributions, such person shall for the purposes of this section be a seasonal worker.

Entitlement to Benefit in Off-seasons

(2)(a) A seasonal worker shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfills all the other conditions of entitlement to benefit, and if

(i) not less than 360 contributions were recorded pursuant to the Act or Regulations in respect of his employment occurring in the two years ending on the last day of the quarter immediately preceding the commencement day of his benefit year; or

(ii) not less than the number of contributions mentioned hereunder were so recorded for employment occurring in the complete quarters contained in any such off-seasons or parts thereof included in the two years ending on the last day of the quarter immediately preceding the commencement day of his benefit year, namely

(aa) 40 contributions where the number of quarters contained in such off-seasons or parts thereof is two, or

(bb) 80 contributions where the number of quarters contained in such off-seasons or parts thereof is four.

(b) Where, by reason of subparagraph (i) or (ii) such seasonal worker is not entitled to benefit during any off-season beginning after the commencement day of his benefit year, the period of two years therein mentioned shall thereupon be construed as if it were the period of two years ending on the last day of the quarter immediately preceding the commencement day of such off-season.

(c) Where such seasonal worker is not entitled to benefit by reason of paragraph (a) or (b), but he has worked in insurable employment during any such off-season for which he is disqualified, and 20 or more contributions are recorded therefor, they shall be deemed to have been recorded in respect of employment within the period mentioned in paragraph (a) or (b) as the case may be in respect only of his entitlement to benefit in periods subsequent to the date on which he proves the payment of such contributions.

Seasonal Industry Applicable

(3) The seasonal industry applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

One Seasonal Industry

(a) where his seasonal contributions included in the aforesaid thirty-six contributions were in respect of employment in only one seasonal industry, the seasonal industry applicable shall be that industry;

More Than One Seasonal Industry

(b) where the said seasonal contributions were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of such seasonal contributions were required; however, in the event that the number of seasonal contributions in two or more seasonal industries is equal, the seasonal industry applicable shall be the one thereof in which the most recent of such seasonal contributions was required.

Off-seasons

(4) The off-seasons for the respective seasonal industries, and the areas in which such off-seasons are applicable, are the following:

Transportation by Water:

All Canada.....Dec. 16 to Apr. 14

Stevedoring (Inland Ports)

All Canada.....Dec. 16 to Apr. 14

Stevedoring (Deep-sea Ports).....May 16 to Dec. 14

Off-season applicable

(5) The off-season applicable in the case of any such seasonal worker shall be the off-season for the seasonal industry which has been determined to be applicable in accordance with subsection (3) of this section and, within that industry, for the area which has been determined to be applicable in accordance with subsection (4) of this section; so however that where the said seasonal contributions were in respect of employment in more than one such area, the off-season applicable shall be the off-season for the area where the employment resulting in the greatest number of seasonal contributions took place; and that in the event that the aggregate numbers of such seasonal contributions in respect of employment in two or more areas are equal, the off-season applicable shall be the off-season for the area where the employment resulting in the most recent of such contributions took place.

Definitions

(6) In this section

Seasonal Contributions

(a) "seasonal contribution" means a contribution required to be recorded in respect of an insured person's employment in a seasonal industry if such employment is in a seasonal occupation carried on within that industry;

Seasonal Industry

(b) "seasonal industry" means and includes the following respective industries which the Commission hereby declares to be seasonal industries;

Transportation by Water

(i) the industry of transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water";

Stevedoring

(ii) the industry of stevedoring in any of the inland or deep sea ports, herein referred to as "stevedoring";

Seasonal Occupation

(c) "seasonal occupation" means and includes the occupations mentioned hereunder which are carried on within the respective seasonal industries;

(i) In Transportation by Water:—All occupations carried on by members of the crew of a vessel. The expression "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo.

(ii) In Stevedoring:—All occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers as stevedoring.

Inland Waters of Canada

(d) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year.

Inland Port

(e) "inland port" means a port on any of the said inland waters of Canada.

Deep Sea Port

(f) "deep sea port" means the port of Halifax, Nova Scotia, and the port of Saint John, New Brunswick.

Quarter

(g) "quarter" means one of the four parts of the year of approximately equal length as the Commission may from time to time determine the first of which shall commence on the Sunday nearest to April first.

Vessel Engaged in Transportation Upon Inland Waters

(7) For the purpose of this section a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada if its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and if it is ordinarily laid up during the winter months by reason of climatic conditions.

1950 Regulation—Inland water transport, stevedoring and lumbering and logging

Seasonal Worker

12. (1) If in respect of the most recent thirty-six days of employment of a person prior to the commencement day of his benefit year there are ten or more days of seasonal employment, such person shall for the purposes of this section be a seasonal worker.

Entitlement to Benefit for Off-season

(2) (a) A seasonal worker whose principal occupation or employment is non-insurable shall be entitled to receive benefit for days on which he is

unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and if

(i) he was, for at least thirty per cent of the working days in the previous off-season, employed under a contract of service in excepted employment other than employment by persons connected with him by blood relationship, marriage or adoption, or in insurable employment, or partly in insurable employment and partly in such excepted employment; and

(ii) during the off-season he makes and keeps alive an application at a local office for an employment of a kind suitable in his circumstances and normally available at that period of the year.

(b) A seasonal worker whose principal occupation or employment is insurable, whether in a seasonal occupation or not, shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and the condition mentioned in subparagraph (ii) of paragraph (a).

Seasonal Industry Applicable

(3) The seasonal industry applicable in the case of any such seasonal worker shall be determined in accordance with the following rules:

One Seasonal Industry

(a) where the days of seasonal employment included in the aforesaid thirty-six days were in respect of employment in only one seasonal industry, the seasonal industry applicable shall be that industry;

More Than One Seasonal Industry

(b) where the said days of seasonal employment were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of days of such seasonal employment occurs; however, in the event that the number of days of seasonal employment in two or more seasonal industries is equal, the seasonal industry applicable shall be the one thereof in which the most recent day of such seasonal employment occurred.

Off-seasons

(4) The off-season for the respective seasonal industries and the areas in which such off-seasons are applicable, are the following:

Transportation by Water:	
All Canada	December 16 to April 14
Stevedoring (Inland Ports):	
All Canada	December 16 to April 14
Stevedoring (Deep-sea Ports):	
All Canada	May 16 to December 14
Lumbering and Logging:	
The Provinces of Alberta, Saskatchewan and Manitoba	April 16 to October 31
The Provinces of Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland	April 1 to September 30

Off-season Applicable

(5) The off-season applicable in the case of any such seasonal worker shall be the off-season for the seasonal industry which has been determined to be applicable in accordance with subsection three, and, within that industry, for the area which has been determined to be applicable in accordance with subsection four; so however that where the said seasonal employment was in respect of employment in more than one such area, the off-season applicable shall be the off-season for the area where the employment resulting in the greatest number of days of seasonal employment took place; and that in the event that the aggregate number of such days of seasonal employment in respect of employment in two or more areas are equal, the off-season applicable shall be the off-season for the area where the employment resulting in the most recent of such days of seasonal employment took place.

Definitions

(6) In this section

Seasonal Employment

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry.

Seasonal Industry

(b) "seasonal industry" means and includes the following respective industries, which the Commission hereby declares to be seasonal industries:

Transportation by Water

(i) the industry of transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water";

Stevedoring

(ii) the industry of stevedoring in any of the inland or deep-sea ports, herein referred to as "stevedoring";

Lumbering and Logging

(iii) the industry of lumbering and logging in any part of Canada except the Province of British Columbia, herein referred to as "lumbering and logging".

Seasonal Occupation

(c) "seasonal occupation" means and includes the occupations mentioned hereunder which are carried on within the respective seasonal industries;

(i) In Transportation by Water:—All occupations carried on by members of the crew of a vessel. The expression "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo.

(ii) In Stevedoring:—All occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen,

winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring.

(iii) In Lumbering and Logging:—All occupations carried on in the industry of lumbering and logging, including cooks and clerical and other workers directly employed at the scene of woods operations.

Inland Waters of Canada

(d) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year.

Inland Port

(e) "inland ports" means a port on any of the said inland waters of Canada.

Deep-sea Port

(f) "deep-sea port" means the port of Halifax, Nova Scotia, and the port of Saint John, New Brunswick.

Quarter

(g) "quarter" means one of four parts of the year of approximately equal length as the Commission may from time to time determine, the first of which shall commence on the Sunday nearest to April first.

Lumbering and Logging

(h) "lumbering and logging" means the cutting, skidding, felling, hauling, scaling, banking, driving, running, rafting or booming, and processing at the scene of woods operations, of any logs or timber (including cord wood, cedar posts, telegraph poles, railroad ties, tan bark, pulpwood, shingle bolts and staves).

Vessel Engaged in Transportation upon Inland Waters

(7) For the purpose of this section a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada if its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and if it is ordinarily laid up during the winter months by reason of climatic conditions.

1951 Regulations—Inland Water Transport, Stevedoring and Lumbering and Logging

Seasonal Worker

139. Where in respect of the most recent thirty-six days of employment of a person prior to the commencement day of his benefit year there are ten or more days of seasonal employment, such person shall for the purposes of sections 140 to 143 be a seasonal worker.

Entitlement to Benefit for Off-Season

140. (1) A seasonal worker whose principal occupation or employment is non-insurable shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions or entitlement to benefit and if

(a) he was, for at least thirty per cent of the working days in the previous off-season, employed under a contract of service

(i) in excepted employment other than employment by persons connected with him by blood relationship, marriage or adoption;

(ii) in insurable employment; or

(iii) partly in insurable employment and partly in such excepted employment; and

(b) during the off-season he makes and keeps alive an application at a local office for an employment of a kind suitable in his circumstances and normally available at that period of the year.

(2) A seasonal worker whose principal occupation or employment is insurable, whether in a seasonal occupation or not, shall be entitled to receive benefit for days on which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and the condition mentioned in paragraph (b) of subsection (1).

(3) Where a seasonal worker has 135 or more contributions to his credit in the year preceding the commencement of his benefit year, his principal occupation or employment shall be deemed to be insurable employment.

Seasonal Industry Applicable

141. The seasonal industry applicable in the case of any seasonal worker shall be determined is hereunder prescribed:

(a) where the days of seasonal employment included in the thirty-six days referred to in section 139 were in respect of employment in one seasonal industry only, the seasonal industry applicable shall be that industry;

(b) where the said days of seasonal employment were in respect of employment in more than one seasonal industry, the seasonal industry applicable shall be the particular seasonal industry in which the greatest number of days of such seasonal employment occurs; and

(c) where the number of days of seasonal employment in two or more seasonal industries is equal, the seasonal industry applicable shall be the one in which the most recent day of such seasonal employment occurred.

Off-seasons

142. (1) The off-season for the respective seasonal industries, and the areas in which such off-seasons are applicable, are as follows:

Transportation by water:

all Canada ..... December 16 to April 14

Stevedoring (inland ports):

all Canada ..... December 16 to April 14

Stevedoring (deep-sea ports) ..... May 16 to December 14

Lumbering and logging:
Provinces of Alberta,
Saskatchewan and Manitoba ..... April 16 to October 31
Provinces of Ontario,
Quebec, New Brunswick,
Nova Scotia, Prince Edward
Island and Newfoundland ..... April 1 to September 30

(2) The off-season applicable in the case of any seasonal worker shall be the off-season for the seasonal industry which has been determined to be applicable in accordance with section 141 and, within that industry, for the area which has been determined to be applicable in accordance with section 142.

(3) Where the seasonal employment was in respect of employment in more than one area, the off-season applicable shall be the off-season for the area where the employment resulting in the greatest number of days of seasonal employment took place.

(4) Where the aggregate number of such days of seasonal employment in respect of employment in two or more areas are equal, the off-season applicable shall be the off-season for the area where the employment resulting in the most recent of such days of seasonal employment took place.

143. For the purposes of sections 139 to 142:

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry;

(b) "seasonal industry" means the following respective industries, which the Commission hereby declares to be seasonal industries:

(i) transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water";

(ii) stevedoring in any of the inland or deep-sea ports, herein referred to as "stevedoring";

(iii) lumbering and logging in any part of Canada except the Province of British Columbia, herein referred to as "lumbering and logging";

(c) "seasonal occupation" means the occupations specified hereunder which are carried on within the respective seasonal industries;

(i) In transportation by water—all occupations carried on by members of the crew of a vessel; "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo;

(ii) In stevedoring—all occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring;

(iii) In lumbering and logging—all occupations carried on in the industry of lumbering and logging, including cooks and clerical and other workers directly employed at the scene of woods operations;

(d) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year; and for such purpose, a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada when its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and it is ordinarily laid up during the winter months by reason of climatic conditions;

(e) "inland port" means a port on any of the inland waters of Canada;

(f) "deep-sea port" means the port of Halifax, Nova Scotia, and the port of Saint John, New Brunswick;

(g) "quarter" means one of four parts of the year of approximately equal length as the Commission may from time to time determine, the first of which shall commence on the Sunday nearest to April first; and

(h) "lumbering and logging" means the cutting, skidding, felling, hauling, scaling, banking, driving, running, rafting, or booming and processing at the scene of woods operations of any logs or timber, including cord wood, cedar posts, telegraph poles, railroad ties, tan bark, pulpwood, shingle bolts and staves.

1955 Regulations (not implemented)

Seasonal Workers

162. (1) Where in respect of the most recent six weeks of employment of a person prior to the commencement of his benefit period there are three or more weeks during each of which he worked in a seasonal occupation within a seasonal industry, such person shall for the purposes of sections 163 and 164 be a seasonal worker.

(2) The seasonal industry applicable for the purpose of these sections shall be that in which the seasonal employment occurs or, where there are more than one such industry, that in which the greatest number of weeks during which such employment occurs or where the number of such weeks is equal, that in which the most recent week of such employment occurs.

Entitlement to Benefit for Off-season

163. A seasonal worker shall be entitled to receive benefit for weeks during which he is unemployed in any off-season applicable in his case, only if he fulfils all the other conditions of entitlement to benefit and at the time he is declared to be a seasonal worker, he proves that, for at least six weeks in the off-season immediately preceding his initial claim or nine weeks in the two off-seasons immediately preceding his initial claim, he was employed

(a) in insurable employment;

(b) in excepted employment under a contract of service by persons other than those connected with him by blood relationship, marriage or adoption; or

(c) partly in insurable employment and partly in such excepted employment.

164. For the purposes of sections 162 and 163

(a) "seasonal employment" means a person's employment in a seasonal occupation carried on within a seasonal industry;

(b) "seasonal industry" means the following respective industries, which the Commission hereby declares to be seasonal industries:

(i) transportation by water on any of the inland waters of Canada, herein referred to as "transportation by water"; and

(ii) stevedoring in any of the inland ports, herein referred to as "stevedoring";

(c) "off-season" means the period from the week following that in which December 16th falls to that in which April 14th falls;

(d) "seasonal occupation" means the occupations specified hereunder which are carried on within the respective seasonal industries;

(i) in transportation by water, all occupations carried on by members of the crew of a vessel; "members of the crew" includes the master or officer in charge of the vessel, however designated, and every person subject to his authority serving on board and contributing in any way to the welfare of the vessel, the welfare of the passengers or the crew, or care of the cargo;

(ii) in stevedoring, all occupations directly connected with the loading or unloading of a vessel in port, including the occupations of shipliners, coopers, shedmen, coal handlers, gearmen, winchmen and checkers, and any others ordinarily carried on within reach of the ship's tackle or included in an agreement between employers and employees as stevedoring;

(e) "inland waters of Canada" means all the rivers, lakes and other navigable fresh waters within Canada, including the River St. Lawrence as far seaward as a line drawn from Cap des Rosiers through West Point, Anticosti Island extending to the north shore, but not including any other estuaries, harbours or navigable rivers that are open for navigation all year; and for such purpose, a ship or vessel is engaged in the industry of transportation by water upon the inland waters of Canada when its operations or a substantial portion thereof normally consist of voyages upon any of the inland waters of Canada and it is ordinarily laid up during the winter months by reason of climatic conditions; and

(f) "inland port" means a port on any of the inland waters of Canada described in paragraph (e).

Appendix B
Married women's regulation (1955)

161. (1) Before any married woman may receive benefit for any week within the period of 104 weeks commencing with the week following her marriage, she shall, as an additional condition to the receipt of benefit, prove that she has ten contribution weeks during that period, provided however, that if she was in employment at the time of her marriage, such contribution weeks must be subsequent to her first separation from such employment.

(2) She shall then be entitled to receive benefit in respect of the week in which she proves the fulfilment of the additional condition and in respect of any week thereafter, provided that she fulfils all other conditions of entitlement to benefit and is not otherwise disqualified.

(3) The additional condition need not be fulfilled, as from the week in which she proves the occurrence of any of the following events:

(a) if she was unemployed at the time of her marriage, that her last separation from employment prior to her marriage, or if she was employed at the time of her marriage, that her first separation from employment after marriage, was in consequence of

  (i) her employer's rule against retaining married women in his employ,

  (ii) her discharge on account of shortage of work,

  (iii) any other reason solely and directly connected with her employment, except misconduct or voluntarily leaving without just cause,

  (iv) her incapacity for work due to illness, injury or quanrantine, or

  (v) her leaving the area to establish residence in a location where there are reasonable opportunities for her to obtain suitable employment, or

(b) that her husband has died, deserted her, or is permanently separated from her, or has become wholly incapacitated for work and that such incapacity has lasted for at least four consecutive weeks, and in the latter case proof of the occurrence of the event shall be deemed to have been fulfilled from the date of her claim for benefit but not prior to the commmencement of the period of such incapacity.

(4) The additional condition need not be fulfilled while she works less than full time for the employer by whom she was employed at the time of her marriage and with whom she remained employed without interruption.

Appendix C
Insurable and excepted employment under the 1971 legislation

Act

Meaning of insurable employment

Sec. 3. (1) Insurable employment is employment that is not included in excepted employment and is

(a) employment in Canada by one or more employers, under any express or implied contract of service or apprenticeship, written or oral, whether the earnings of the employed person are received from the employer or some other person and whether the earnings are calculated by time or by the piece, or partly by time and partly by the piece, or otherwise;

(b) employment in Canada as described in paragraph (*a*) under Her Majesty in right of Canada;

(c) service in the Canadian Forces or in any police force; and

(d) employment included in insurable employment by regulation under section 4.

Excepted employment

(2) Excepted employment is

(a) employment of a person

(i) who is over seventy years of age, or

(ii) to whom a retirement pension under the *Canada Pension Plan* or the *Quebec Pension Plan* has at any time become payable;

(b) employment of a casual nature other than for the purpose of the employer's trade or business;

(c) employment of a person by his spouse;

(d) employment where the employee is a dependant of the employer;

(e) employment in Canada under Her Majesty in right of a province;

(f) employment in Canada by the government of a country other than Canada or of any political subdivision thereof;

(g) employment in Canada by an international organization;

(h) employment that constitutes an exchange of work or services; and

(i) employment included in excepted employment by regulation under section 4.

Regulations to extend insurable employment

Sec. 4. (1) The Commission may, with the approval of the Governor in Council, make regulations for including in insurable employment

(a) any employment outside Canada or partly outside Canada that would be insurable employment if the employment were in Canada;

(b) the entire employment of a person who is engaged under one employer partly in insurable employment and partly in other employment;

(c) any employment that is not employment under a contract of service if it appears to the Commission that the terms and conditions of service of and the nature of the work performed by persons employed in that employment are similar to the terms and conditions of service of and the nature of the work performed by persons employed under a contract of service;

(d) employment in Canada by Her Majesty in right of a province if the government of the province waives exception and agrees to insure all its employees engaged in such employment;

(e) employment in Canada by the government of a country other than Canada or of any political subdivision thereof if the employing government consents thereto;

(f) employment in Canada by an international organization if the organization consents thereto; and

(g) the term of an office as defined in the *Canada Pension Plan.*

(2) The Commission may, with the approval of the Governor in Council and subject to affirmative resolution of Parliament, make regulations for including in insurable employment any person who is employed or otherwise engaged in a business within the definition of "business" in the *Income Tax Act.*

Regulations re excepted employment

(3) The Commission may, with the approval of the Governor in Council, make regulations for excepting from insurable employment

(a) any employment if it appears to the Commission that by reason of the laws of a country other than Canada a duplication of contributions or benefits will result;

(b) the entire employment of a person who is employed by one employer partly in insurable employment and partly in other employment;

(c) any employment, if it appears to the Commission that the nature of the work performed by persons employed in that employment is similar to the nature of work performed by persons employed in employment that is not insurable employment;

(d) the employment of a person by a corporation if he or his spouse, individually or in combination, controls more than fifty per cent of the voting shares of that corporation;

(e) the employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid directly or by him to the order; and

(f) any employment in which persons are employed to an inconsiderable extent or for an inconsiderable consideration.

Defining certain expressions

(4) The Commission may, with the approval of the Governor in Council, make regulations defining, for the purposes of section 3 and this section, the expressions "government", in relation to a government of a country other than Canada or of a political subdivision thereof, "international organization", "relative", "casual nature" and "dependant".

Extent of authority

(5) A regulation made under this section may be conditional or unconditional, qualified or unqualified, and may be general or restricted to a specified area, a person or a group or class of persons.

Regulations

Employment included in insurable employment

Sec. 49 (1) Employment in Canada by Her Majesty in right of a province that would, except for paragraph 3(2)(e) of the Act, be insurable employment is included in insurable employment if the government of the province enters into an agreement with the Commission whereby it agrees to waive exception and to insure all employees engaged in such employment.

(2) For greater certainty, employment in Canada by Her Majesty in right of a province, for the purposes of subsection (1), only includes employment in Canada of employees who are appointed and remunerated under the *Public Service Act* or *Civil Service Act* of a province or who are employed in Canada by a corporation, commission or other body that is for all purposes, an agent of Her Majesty in right of the province.

Employments insured by other governments

Sec. 50. (1) Employment in Canada of any person by the government of a country other than Canada or of any political subdivision thereof or by an international organization that would, except for paragraphs 3(2)(f) and (g) of the Act, be insurable employment may be included in insurable employment if the employing government or the international organization, as the case may be, consents thereto in writing and the Commission concurs therein.

(2) Where a consent or a concurrence has been given pursuant to regulations made under the former Act and has not been revoked, it shall be deemed to be a consent or concurrence given pursuant to this section.

Employment on ship or vessel outside Canada

Sec. 51. (1) Employment on a ship or vessel outside Canada or partly outside Canada that would be insurable employment if the employment were in Canada, is included in insurable employment if that employment is

(a) on a ship or vessel of Canadian registry or licence, except where that ship or vessel is regularly employed in voyages between ports outside Canada and has been chartered to a person resident outside Canada, or

(b) on a ship or vessel, other than a ship or vessel of Canadian registry or licence,

(i) that has been chartered to a person resident in Canada and that is regularly employed in voyages from a port in Canada,

(ii) that is principally controlled in Canada and regularly employed in voyages from a port in Canada and the owner or managing owner thereof resides or has a place of business in Canada, or

(iii) where employment thereon is subject to the provisions of the Act by virtue of an agreement between the Government of Canada and the government of the jurisdiction in which that ship or vessel is registered.

Other employment outside Canada

Sec. 52. The employment of a person outside Canada, other than a person employed on a ship or vessel as described in section 51, is included in insurable employment where that person

(a) normally resides in Canada,

(b) is employed outside Canada or partly outside Canada by an employer who is resident or has a place of business in Canada,

(c) would be employed in insurable employment if such employment were in Canada, and

(d) is not employed in employment that is insurable under the laws of the country in which he is employed.

Miscellaneous insurable employments

Sec. 53. Employment in any of the following employments, unless it is excepted employment under subsection 3(2) of the Act or excepted from insurable employment by any other provision of these regulations, is included in insurable employment:

(a) employment of a union member by his union in conducting union business, other than picketing in a labour dispute;

(b) employment of a person as an apprentice or trainee notwithstanding that the person does not perform any services for his employer;

(c) employment of a person as a clergyman or member of a religious order;

(d) employment of a person in connection with a barbering or hairdressing establishment, where that person

(i) provides any of the services that are normally provided therein, and

(ii) is not the owner or proprietor thereof;

(e) employment of a person as a driver of any taxi, commercial bus, school bus or any other vehicle that is used by a business or public authority for carrying passengers, where that person is not the owner of the vehicle or the proprietor or operator of the business or public authority; and

(f) the position of a person who holds an office as defined in the *Canada Pension Plan*,

(i) in or under any department or other portion of the Public Service of Canada specified in Schedule I of the *Public Service Staff Relations Act* or Schedules B and C of the *Financial Administration Act*, or

(ii) where the person

(A) is appointed to the office and is remunerated therefor under the *Public Service Act* or *Civil Service Act* of a province that, pursuant to subsection 49(1), has agreed to insure all of its employees, or

(B) holds the office in or under a corporation, commission or other body that is for all purposes an agent of Her Majesty in right of a province referred to in clause (A).

Employments excepted from insurable employment

Sec. 54. (1) The employment of a person in any week in respect of which his earnings are less than an amount that is the lesser of

(a) one-fifth of the maximum weekly insurable earnings, and

(b) twenty times the minimum hourly wage for the province in which that person is employed

is excepted from insurable employment.

(2) Where the earnings of a person for a pay period described in any of the following paragraphs are paid or payable to him otherwise than in respect of weeks, subsection (1) does not apply to the employment of that person during any such pay period:

(a) a pay period that is a multiple of a pay week where

(i) the earnings for the pay period are equal to or exceed an amount that is a like multiple of the amount referred to in subsection (1), and

(ii) he has earnings for each pay week in the pay period;

(b) a pay period that is a semi-monthly pay period where

(i) the earnings for the pay period are equal to or exceed an amount that is two and one-sixth times the amount referred to in subsection (1), and

(ii) he has earnings for each week or part of a week that falls in the pay period; or

(c) a pay period that is a monthly pay period where

(i) the earnings for the pay period are equal to or exceed an amount that is four and one-third times the amount referred to in subsection (1), and

(ii) he has earnings for each week or part of a week that falls in the pay period.

(3) For the purposes of this section,

(a) "minimum hourly wage", in respect of a province that has more than one minimum hourly wage, means the minimum hourly wage that the Commission determines is the highest or most generally applicable in that province, and

(b) the minimum hourly wage for a province on the 1st day of October in any year shall be taken as the minimum hourly wage for that province for the immediately following calendar year.

Specific excepted employments

Sec. 55. The following employments are excepted from insurable employment:

(a) employment of a person by a corporation if he or his spouse, individually or in combination, controls more than fifty per cent of the voting shares of that corporation,

(b) employment of an exchange teacher if that teacher is not remunerated by an employer residing in Canada;

(c) employment of a person in the reserve force of the Canadian Forces unless it is employment on continuous duty or for a period of special duty in excess of thirty days;

(d) employment of a person as a clergyman or member of a religious order if

(i) his only employment is as an itinerant evangelist paid by money collected from the public, or

(ii) he has taken a vow of perpetual poverty and his remuneration is paid directly or by him to the order;

(e) employment of a person if he is not paid any of his remuneration in cash;

(f) employment of a person if premiums are payable in respect of his employment under

(i) the unemployment insurance law of any state of the United States or the District of Columbia, by reason of the agreement between Canada and the United States respecting unemployment insurance set out in Schedule A; or

(ii) the *Railroad Unemployment Insurance Act* of the United States;

(g) employment in Canada of a person who resides outside Canada if premiums are payable in respect of services performed by him in Canada under the unemployment insurance laws of a country other than Canada; and

(h) employment of a person for the purpose of

(i) abating a disaster, or

(ii) a rescue operation,

if he is not regularly employed by the employer who employs him for that purpose.

Category contingent on number of days of employment

Sec. 56. (1) The following employments are, subject to subsection (2), excepted from insurable employment:

(a) employment, other than as an entertainer, of a person in connection with a circus, fair, parade, carnival, exposition, exhibition or similar activity if that person

(i) is not regularly employed by the employer who employs him in that employment, and

(ii) is employed by that employer for less than seven days in a year;

(b) employment of a person by Her Majesty in right of Canada, the government of a province or a municipality in respect of any census enumeration if that person

(i) is not regularly employed by the employer who employs him for that purpose, and

(ii) is employed by that employer in that employment for less than twenty-five days; and

(c) employment of a person by Her Majesty in right of Canada, the government of a province, a municipality of a school board in connection with any referendum or election to public office by popular vote if that person

(i) is not regularly employed by the employer who employs him for that purpose, and

(ii) is employed by that employer in that employment for less than twenty-five days.

(2) Where an employment that is expected from insurable employment under paragraph (1)(a), (b) or (c) is for a number of days that exceeds the

number of days mentioned in that paragraph, that employment is insurable from its commencement.

Agriculture, horticulture, hunting, trapping, forestry, logging and lumbering

Sec. 57. (1) The employment of a person in agriculture, an agricultural enterprise, horticulture, hunting, trapping, forestry, logging or lumbering by an employer who

(a) pays the employee a remuneration that is less than two hundred and fifty dollars in cash in a year, or

(b) employs the employee on terms providing for payment of cash remuneration for a period of less than twenty-five working days in a year

is excepted from insurable employment.

(1a) Subsection (1) does not apply to any continuous period of employment of a person that falls in more than one year if the person is paid two hundred and fifty dollars or more in cash therefor and is employed therein for twenty-five or more working days.

(2) Where in an employment that is excepted from insurable employment under subsection (1) the employer

(a) pays an employee a remuneration that is two hundred and fifty dollars or more in cash in a year, and

(b) employs an employee on terms providing for payment of cash remuneration for a period of twenty-five working days or more in a year,

the entire employment of the employee by the employer in the year that is insurable.

(3) For the purposes of this section,

(a) "agriculture" means the operations of farming when carried on on a farm for the benefit of any person who is a farmer and, without limiting the generality of the foregoing, includes,

(i) clearing land for the purposes of farming,

(ii) cultivation of the soil,

(iii) conservation of the soil, including the construction, maintenance and operations of tile drainage systems, ditches, canals, reservoirs or waterways exclusively for the purposes of farming,

(iv) harvesting, storing or grading any natural product of farming,

(v) preparing land for growing wild berries and the harvesting of wild berries,

(vi) raising bees and producing honey,

(vii) breeding or raising horses, beasts of burden, cattle, sheep, goats, swine, furbearing animals and birds of any kind or producing eggs,

(viii) dairy farming and the processing of milk, butter or cheese on the farm where it is produced,

(ix) producing maple sap, maple syrup or maple sugar, when carried on on a farm for the benefit of any person who is a farmer,

(x) offering for sale or selling, off the farm for the benefit of the farmer, any of the products of the operations described in subparagraphs (i) to (ix), if the offering for sale or selling is incident to those operations, and

(xi) exhibiting, advertising, assembling, freezing, storing, grading, processing, packing and transporting, off the farm for the benefit of the farmer, the products described in subparagraph (x), if those operations are incident to the offering for sale or selling described in that subparagraph;

(b) "agricultural enterprise" means the business of agriculture carried on for the benefit of any person who is a farmer;

(c) "forestry" means the planting, propagation, production, protection, measuring or harvesting of trees when carried on in a forest, on a woodlot or on a tree farm, and includes all the services incident to the carrying on of any of the operations described in this paragraph if those services are performed at the place where the operations are carried on;

(d) "horticulture" means

(i) the operations relating to the propagating, producing, raising or harvesting of

(A) legumes, flowers, shrubs or ornamental grasses, and

(B) seeds, seedlings, grafts and cuttings of legumes, flowers, shrubs or ornamental grasses, and

(ii) the operations relating to landscape gardening where the landscape gardening is incident to the carrying on of

(A) any of the operations described in subparagraph (i), or

(B) agriculture,

and includes all the services incident to the carrying on of any of the operations described in subparagraph (i) if those services are performed at the place where the operations are carried on;

(e) "hunting" means hunting for or catching or killing any wild animal by any method whatever but does not include any operation involved in rodent extermination;

(f) "logging" means the converting of trees into timber if carried on in a forest, on a woodlot or on a tree farm;

(g) "lumbering" means the milling of timber into lumber or boards if carried on in a forest, on a woodlot or on a tree farm, and includes the preparation of timber for milling in any such place;

(h) "timber" means logs of any size, lathwood, pulpwood, fuelwood, tiewood, veneerwood, posts, bolts, piles, pit props, spars, stakes, bark, chips or any crude wood before it has been milled or otherwise manufactured; and

(i) "trapping" means the operations involved in taking or destroying any wild animal by means of a trap, snare or other device but does not include any operation involved in rodent extermination.

Appendix D
Definition of dependant under the 1971 legislation

Sec. 168. (1) For the purposes of sections 24 and 35 of the Act and all other purposes relating to the payment of benefit under Part II of the Act, a "person with a dependant" is

(a) a man whose wife is being maintained wholly or mainly by him;

(b) a wife whose husband is dependent on her;

(c) a person who maintains wholly or mainly one or more children under the age of 16 years; and

(d) a person who maintains a self-contained domestic establishment and supports therein wholly or mainly a person connected with him by blood relationship, marriage or adoption.

(2) For the purposes of the Act and these Regulations, where a person's income from all sources, including unemployment insurance benefits, exceeds twenty-five per cent of the maximum weekly insurable earnings, as described in section 61 of the Act, that person shall not be regarded as being maintained wholly or mainly by the claimant or as being a dependant of the claimant.

(3) For the purposes of this section, a person who does not reside in Canada is not a dependant unless that person is domiciled in the District of Columbia or a state of the United States.

(4) In this section,

(a) "a self-contained domestic establishment" means a dwelling house, apartment, room or other similar place in which, among other things, the dependant for whom the claimant claims, ordinarily has his residence, sleeps and has his meals or has his domicile;

(b) "a person connected by blood relationship" means a child, grandchild, great grandchild, parent, grandparent, great grandparent, brother, sister, uncle, aunt, nephew, or niece of the claimant;

(c) "a person connected by marriage" means a child, parent, grandparent, great grandparent, brother or sister of the claimant's spouse;

(d) "connected by adoption" means adoption by process of law;

(e) "wife" includes a common law wife with whom the claimant has cohabited for a period of not less than three years immediately preceding the date on which a claim is made;

(f) "child" means a child of the claimant and includes a step-child, a child adopted in any manner or an illegitimate child; and

(g) "husband" includes a common law husband with whom the claimant has cohabited for a period of not less than three years immediately preceding the date on which a claim is made.

Appendix E
Teachers' regulation (1972 to 1975)

Effective January 1972

Teachers

Sec. 158. (1) For the purposes of this section

(a) "annual work period" with respect to a person, means the annual academic term or teaching period at the university, school or other institution where that person is employed; and

(b) "annual off period" with respect to a person, means the annual period when that person is normally not teaching or instructing at the university or school or other institution where he is employed.

(2) Where a person is employed in teaching and would normally perform all of the services required under his contract of employment and receive the remuneration payable under that contract during an annual work period of less than fifty-two weeks, an interruption of earnings occurs when a number of weeks have elapsed following his lay-off or separation from employment that bears the same ratio to the number of weeks in his annual off period that

(a) the number of weeks he is employed during the annual work period bears to the total number of weeks in the annual work period, or

(b) the amount of remuneration actually paid or payable in respect of his employment during the annual work period bears to the amount of remuneration that would be payable under his contract of employment if he were employed the whole of the annual work-period

whichever is the greater.

Effective June 1973

Teachers

Sec. 158. (1) In this section "teaching" means the occupation of teaching in a pre-elementary, an elementary, an intermediate or a secondary school, including a technical or vocational school.

(2) The Commission having determined that there is, by custom or pursuit to relevant contracts of employment, a repetitive annual period during which no work is performed in teaching (hereinafter referred to as a "non-teaching period"), a claimant who was employed in teaching for any part of his qualifying period shall not be paid benefit for any week of unemployment that falls in a non-teaching period at the school where he is or was last employed unless one of the following conditions is satisfied:

(a) his contract of employment to teach at the school where he was last employed in teaching was terminated four or more weeks prior to the commencement of the non-teaching period at the school;

(b) he was employed in teaching as a casual or substitute teacher only; or

(c) he qualifies to receive benefit because of employment in an occupation other than teaching.

(3) Where benefit is payable to a claimant described in subsection (2) by reason only of the fact that he satisfies the condition set out in paragraph 2(c), the rate of weekly benefits so payable for a week of unemployment that falls in a non-teaching period at the school where he is or was last employed shall not exceed the rate that would be payable if his employment in teaching were disregarded.

Effective June 1975

Teachers

Sec. 158. (1) In this section, "teaching" means the occupation of teaching in a pre-elementary, an elementary, an intermediate or a secondary school, including a technical or vocational school.

(2) The Commission having determined that there is, by custom or pursuant to relevant contracts of employment, a repetitive annual period during which no work is performed in teaching (hereinafter referred to as a "non-teaching period"), the benefit payable to a claimant who was employed in teaching for any part of his qualifying period, shall, during any week of unemployment that falls within a non-teaching period at the school where he is or was last employed in teaching, be restricted to an amount equal to sixty-six and two-thirds per cent of his average weekly insurable earnings from not less than eight weeks of insurable employment, other than in teaching, within the qualifiying period.

(3) Subsection (2) does not apply to a claimant

(a) whose contract of employment to teach at the school where he was last employed in teaching was terminated four or more weeks prior to the commencement of the non-teaching period at the school; or

(b) who was employed in teaching only as a casual or substitute teacher.

Appendix F
Fishermen's regulations (1972-73)

Definitions

Sec. 191. (1) In this Part,

"buyer" means a person who buys a catch for the purpose of reselling it either in the form in which it was caught or after processing, and not for the purpose of using it as food, feed or bait;

"catch" means any unprocessed product or natural by-product of the sea or of any other body of water caught or taken by a crew and includes Irish moss kelp and whales but does not include fish scales, and

(a) where only a portion of a catch is delivered to a buyer, means the portion delivered, and

(b) where more than one catch or portion thereof is delivered to a buyer at one time, means the catches or portions thereof so delivered;

"crew" means any group of fishermen who generally engage in making a catch together or who have actually engaged in making a catch together, and in the case of a single fisherman, "crew" or "member of a crew" as the case may be, means that single fisherman;

"cured catch" means a catch that is cured or processed in a form described in Column I of an item of the Table to subsection 196(6);

"employer" means a person designated as the employer of a fisherman pursuant to section 193;

"fisherman" means a person engaged, other than under a contract of service or for his own or some other person's sport, in making a catch or in any work incidental to making or handling a catch, whether such work consists in loading, unloading, transporting or curing the catch made by the crew of which he is a member or in preparing, repairing, dismantling or laying-up the fishing vessel or fishing gear used in making or handling the catch by that crew, if the person engaged in any such incidental work is also engaged in making the actual catch;

"fresh catch" means a catch that is not cured or processed.

(2) An employer who is engaged in work incidental to a catch that is generally performed on shore shall not, at any time, be regarded as a member of the crew that made the catch.

Coverage

Sec. 192. Any person who is a fisherman shall be included as an insured person and, subject to this Part, the Act and any regulations made under the Act, except paragraph 54(1)(b) thereof, apply to that person with such modifications as the circumstances require.

Determination of the employer of a fisherman

Sec. 193. (1) For all purposes of the Act and any regulation made thereunder, the employer of a fisherman shall be the person determined as such in accordance with this section.

(2) Where a fresh or cured catch is delivered in Canada to a buyer or to a buyer's agent by a member of the crew that made the catch and, in a declaration made pursuant to section 199, the members of that crew are declared to share in the returns from the sale of the catch, the buyer shall be regarded as the employer of all fishermen who were members of that crew.

(3) Subject to subsection (5), where a catch is delivered in Canada by a member of the crew that made the catch to a person who is not the employer within the meaning of subsection (2),

(a) the head fisherman of the crew, or

(b) where there is no head fisherman, the agent for selling the catch of the crew

shall, if the gross returns of the catch are paid to him, be regarded as the employer of all the fishermen other than himself who are members of the crew.

(4) Where there is a common agent acting at the same time for both the crew and a buyer, that agent shall be the employer of all fishermen other than himself who are members of the crew and shall have the right to recover from the buyer the employer's premiums paid by him.

(5) Where it is established to the satisfaction of an officer of the Department of National Revenue, Taxation, that any person required to make a declaration under subsection 199(1) failed to make the declaration or made it falsely, that person shall be deemed to be the employer of all fishermen other than himself who are members of the crew.

(6) Where a person is the employer of the crew by reason only of subsection (5),

(a) section 194 does not apply to him, and

(b) notwithstanding subsection 68(4) of the Act, he is not entitled to deduct, in any manner from any person, premiums paid or payable in respect of the members of the crew.

Records to be kept by employers and buyers

Sec. 194. (1) The records referred to in section 72 of the Act, shall contain, for the purposes of this Part, all particulars required for determining

(a) whether premiums are payable by the employer or buyer;

(b) the earnings of fishermen and the proper allocation and recording thereof;

(c) the time for the payment of premiums by the employer or buyer; and

(d) any information required in a declaration made pursuant to section 199.

(2) Every employer shall keep and maintain all books, records, accounts and documents in respect of any fisherman of whom he is the employer separately from those he keeps and maintains in respect of other insured persons.

Determination of earnings

Sec. 195. (1) The determination of the earnings of a fisherman shall be made only as provided in this section.

(2) The earnings of a fisherman shall, subject to subsection (4), be the amount paid or payable to him in respect of a catch, after deducting the value of any portion of the catch not caught by the crew of which he is a member, and in accordance with the share arrangement as declared pursuant to section 199 and, where his wife shares as a member of the same crew, her share shall be added to his earnings.

(3) For the purpose of applying subsection (2), the value of any portion of the catch not caught by the crew shall be the amount established by the head fisherman or

(a) the agent for selling the catch of the crew, where he is the employer; or

(b) the officer mentioned in subsection 193(5), where the person making the declaration pursuant to section 199 is the employer.

(4) The earnings of a fisherman who is a member of the crew and

(a) is the owner of the boat or gear used by the crew in making the catch, or

(b) employs other members of the crew under a contract of service

shall for any week be deemed to be the greater of

(c) the amount obtained by deducting from the gross returns of the catch made by the crew the aggregate of the amounts paid to other members of the crew and twenty-five per cent of the gross returns, and

(d) fifty dollars

and where his wife shares as a member of the crew her share shall be added to his earnings.

Allocation of earnings

Sec. 196. (1) The earnings of a fisherman shall be allocated only to weeks as determined pursuant to this section.

(2) Subject to subsections (3), (4) and (5), the earnings of a fisherman from a fresh catch shall be allocated to the week in which delivery of the catch is made.

(3) Where the employer of a fisherman is a buyer of a fresh catch and has personal knowledge that

(a) the catch was made on a fishing trip that lasted more than seven consecutive days,

(b) the person, who regularly each week collects the catches from the crew of which the fisherman is a member, took delivery of a catch in the week next following the week in which he would normally have taken such delivery

(c) a particular delivery of lobsters represents more than a week's catch,

he shall with respect to that catch, if that allocation will not result in the earnings of the fisherman in respect of that catch being less than the amount referred to in paragraph 54(1)(a), allocate the earnings of the fisherman equally to the week in which delivery is made, and the week immediately preceding that week.

(4) Where a fresh catch is delivered to a buyer who is the employer of a fisherman who is a member of the crew that made the catch and the employer keeps records sufficient to enable an officer of the Department of National Revenue, Taxation, to determine the period during which the fisherman was engaged in making that catch, the employer shall allocate the earnings in respect of that catch equally among such a number of consecutive weeks that fall either completely or partly during that period as will result in that fisherman's earnings being not less than the amount referred to in paragraph 54(1)(*a*) for each of those weeks, the last of those weeks being the week in which delivery is made.

(5) Notwithstanding subsections (3) and (4), where a buyer who is the employer of a fisherman settles his accounts with that fisherman at intervals of more than seven days and any such settlement is in respect of fresh catches that were delivered over a period of more than seven days, the aggregate of the earnings for each of the weeks that fall completely or partly in that period in which the earnings of that fisherman are equal to or greater than the amount referred to in paragraph 54(1)(*a*) may be allocated by the employer equally among those weeks.

(6) For the purpose of allocating the earnings of a fisherman from a cured catch described in Column I of a item of the Table to this subsection, the following rules apply:

(a) the portion of the catch attributed to each member of the crew shall be determined by dividing the total quantity of the catch by the number of persons in the crew;

(b) the number of weeks of employment of a fisherman who is a member of the crew shall be determined by dividing his portion of the catch determined pursuant to paragraph (*a*) by the appropriate divisor set out in Column II of that item; and

(c) the weekly earnings of a fisherman shall be determined by dividing his total earnings from the catch, determined pursuant to section 195, by the weeks of employment determined pursuant to paragraph (b).

Table of Divisors

Column I **Nature of Cured Fish**	**Column II** **Divisor**
1. Salted groundfish:	
(a) Extra dry (Gaspe cure)	2 cwt
(b) Dry (including slack or light salted and heavy salted)	3 cwt
(c) Semi-dry	4 cwt
(d) Ordinary cure	5 cwt
(e) Wet salted	6 cwt
2. Smoked herring (bloaters), including hard-cured smoked round herring	270 lbs. or 15 boxes of 18 lbs. each
3. Pickled herring, and mackerel (excluding fillets), including: gibbed, mild-cured herring (Scotch type), drawn pickled herring (lean or fat), marinated dressed herring (vinegar cured), split pickled mackerel (spring, summer or fall), pickled filleted mackerel (summer or fall)	3 barrels or 660 lbs.
4. Pickled herring (filleted) and turbot, including any marinated filleted herring (skin on or off) or pickled turbot	2 barrels or 440 lbs.
5. Pickled alewives including any salted alewives	6 barrels or 1,320 lbs.
6. Pickled salmon, trout and mackerel fillets	1 barrel or 220 lbs.

Table continues

Table of Divisors (continued)

Column I Nature of Cured Fish	Column II Divisor
7. Other pickled products, including any other fish product cured by a fisherman before being sold.....	3 barrels or 660 lbs.
8. Cod oil	5 drums or 225 gals.
9. Cod livers	15 drums or 675 gals.

(7) Weekly earnings determined pursuant to subsection (6) shall be allocated by the employer of a fisherman to the number of weeks of employment determined pursuant to paragraph (6)(b), the first allocation being to the week in which the catch is delivered and the remaining allocations to the immediately preceding weeks other than any week in which earnings equal to or greater than the amount referred to in paragraphs 54(1)(a) have previously been allocated by that employer.

(8) Where the result of the calculation described in paragraph (6)(b) contains a fraction, that fraction shall be taken as one if it is one-half or more and shall be disregarded if it is less than one-half.

(9) Where a cured catch consists of several types of fish and more than one of the divisors set out in the Table to subsection (6) has had to be applied pursuant to paragraph (6)(b) to determine the number of weeks of employment of a fisherman, the number of weeks of employment is equal to the aggregate of each determination made under paragraph (6)(b).

(10) Where, as a result of a calculation made pursuant to subsection (6), the weekly earnings of a fisherman are less than the amount referred to in paragraph 54(1)(a), the number of weeks of employment determined pursuant to paragraph (6)(b) shall be reduced to such an extent that his weekly earnings in respect of that reduced number of weeks equal or exceed that amount.

(11) The earnings of a fisherman from a catch shall not be allocated under subsection (7) to weeks that occur prior to the week in which the immediately preceding May 1st falls.

(12) Where any portion of the earnings of a fisherman has not been allocated by reason of subsection (11), there shall be allocated from that portion to the week in which the catch was delivered an amount equal to the earnings determined under subsection (6) and the same amount shall be allocated to eachof the immediately preceding weeks whether or not earnings were previously allocated to any of those weeks by the employer.

(13) Where a cured catch consists entirely of wet salted groundfish and subsection (4) would, if the catch were a fresh catch, apply, the catch shall be regarded as a fresh catch for the purpose of subsection (4).

(14) Where a fresh catch is delivered at the same time as a cured catch to which subsections (6) to (12) apply, the earnings to be allocated in respect of the fresh catch shall be allocated before the earnings in respect of the cured catch.

(15) Every week to which earnings have been allocated under this section in respect of a fisherman shall be regarded as a week of employment notwithstanding that the fisherman did not work in that week.

Inadequate records—Computation of premiums at five per cent

Sec. 197. (1) Where an officer of the Department of National Revenue, Taxation, is of the opinion that the books, records, accounts and documents of an employer of fishermen or a buyer are not, in respect of some of the fishermen employed by the employer or dealing with the buyer, adequate for the purpose of enabling an officer to determine with reasonable facility the amount of insurable earnings in respect of any period, the premiums payable and the dates on which they were payable or when the premiums were paid by that employer or buyer, the officer shall,

(a) in respect of any fisherman for whom such books, records, accounts and documents are in his opinion adequate, determine his insurable earnings and the premiums payable according to the Act and the provisions of these Regulations, other than this section; and

(b) in respect of any fisherman for whom such books, records, accounts and documents are in his opinion inadequate, estimate the insurable earnings in the manner described in subsection (2) and determine the premiums payable to be five per cent of the earnings so estimated.

(2) For the purpose of making the determination described in paragraph (1)(b), the officer referred to in subsection (1) may, in respect of any fisherman referred to in that paragraph, estimate

(a) the period during which any catches of that fisherman were made;

(b) the nature and quantity of any cured catch made during the period referred to in paragraph (a);

(c) the number of fishermen involved in any catch; and

(d) the earnings of each fisherman for each week in the period referred to in paragraph (a).

(3) The aggregate earnings of all fishermen for a period estimated pursuant to subsection (2) shall not exceed the gross returns of all the catches during the period.

(4) An officer of the Department of National Revenue, Taxation, in computing or estimating pursuant to subsections (1) and (2) the total earnings from which the premiums are determined shall exclude therefrom the deduction referred to in paragraph 195(4)(c) if such a deduction is required by that paragraph and any earnings that he is satisfied have been paid or become payable to any fisherman who is not insured or in respect of whom the books, records, accounts and documents are adequate.

(5) Notwithstanding subsections (1) and (2), an officer of the Department of National Revenue, Taxation, may, on the first inspection of the books, records, accounts and documents of an employer or buyer who

(a) has not previously been sent a request to keep adequate books, records, accounts and documents,

(b) agrees to keep adequate books, records, accounts and documents,

(c) agrees to make immediate payment of any premiums that the officer, on the basis of oral information or a written declaration, determines are owing, and

(d) has, in the officer's opinion, acted in good faith,

establish in respect of any period the earnings paid or payable to a fisherman employed by the employer or with whom the buyer has dealt during the period on the basis of oral information or a written declaration

and determine the insurable earnings and the premiums payable by the employer or buyer for the period by applying the provisions of the Act and any regulations made thereunder to the earnings so established.

Payment of premiums

Sec. 198. (1) For the purposes of section 68 of the Act a fisherman shall be deemed to have been paid his remuneration not later than,

(a) where pursuant to subsection 193(3) the employer is the head fisherman or the agent of the crew, the last day of the calendar week in which the employer is paid the returns of a catch;

(b) where the employer is the person described in subsection 193(5), the date on which the earnings from a catch or catches during the fishing season are determined pursuant to that subsection;

(c) where a person was required to make a declaration pursuant to subsection 199(1), the date on which he is notified by an officer of the Department of National Revenue, Taxation, that it has been established to that officer's satisfaction that he failed to make the declaration or made it falsely; and

(d) where the employer of the fisherman is a person who is not described in paragraphs (a) to (c), the last day of the week in which delivery of a catch is made.

Declaration to the buyer

Sec. 199. (1) The person who delivers a catch in the manner specified in subsection 193(2) shall, at the time of delivery, declare to the buyer or agent the following particulars:

(a) that he is a member of the crew that made the catch;

(b) the names and social insurance numbers of all fishermen who are members of the crew who share in the returns of the catch and the share arrangement including bonuses or other extra moneys;

(c) the portion of the delivered catch, if any, that was not caught by the crew;

(d) the name of any fisherman sharing in the returns who is a member of the crew and who is the wife of a fisherman who is a member of the same crew and shares in the returns;

(e) the names and social insurance numbers of all members of the crew, if any, who are employed under a contract of service and the amount of their wages or other remuneration that has been or will be paid in respect of the catch that is being delivered; and

(f) the names of those members of the crew to whom paragraph 3(2)(a) of the Act applies.

(2) Any person who makes a declaration required by subsection (1) and

(a) knowingly makes a false statement in respect of any particular listed in that subsection;

(b) knowing the correct information in respect of a particular listed in that subsection, fails to declare it, or

(c) where his benefit or premium payments are effected as a result of such declaration, knows the declaration was not made as required and does not immediately inform the Department of National Revenue, Taxation, or the Commission accordingly

shall be regarded as

(d) a person described in section 88 of the Act; and

(e) a person to whom section 77 of the Act does not apply in respect of premiums paid pursuant to the information set forth in that declaration.

(Sections 200-204 revoked.)

Fishing insured weeks

Sec. 205. (1) For the purposes of this section and sections 206 and 207, a "fishing insured week" means a week during which the employment of a fisherman is insurable under this Part.

(2) A fishing insured week is a week of insurable employment for the purposes of this Part and all of the sections of Part II of the Act except section 17 thereof.

(3) Subsection (2) applies in respect of any claim for benefit made after November 14, 1971.

Year-round fishermen

Sec. 206. (1) In this Part, "year-round fisherman" means a fisherman who establishes that

(a) his most recent employment in fishing, whether insurable or not, during the period comprising the fifty-two most recent weeks that immediately precede the commencement of his initial benefit period was on a vessel that, in the opinion of the Commission,

(i) ordinarily carried on fishing operations at all times of the year, and

(ii) employed the members of the crew under conditions so similar to a contract of service that there is a comparable degree of control;

(b) he has at least six fishing insured weeks in each of any three consecutive calendar quarters during the period of the most recent four complete calendar quarters immediately prior to the calendar quarter that includes the week in which his benefit period commences and, for the purposes of this paragraph, the most recent calendar quarter ends with its most recent complete calendar week.

(2) Subject to this section, where a year-round fisherman makes a claim for the purpose of establishing an initial benefit period and proves that

(a) he is not qualified under section 17 of the Act to receive benefits, and

(b) he has twenty or more weeks of insurable employment in his qualifying period,

and the circumstances of his separation from employment are readily verifiable, an initial benefit period shall be established for him and benefits are payable to him in accordance with those provisions of Part II of the Act that are applicable to the initial, re-established initial and extended benefit periods of a major attachment claimant.

(3) Where it is found that the separation of a year-round fisherman from his most recent employment in fishing, whether insurable or not and

whether prior to his initial benefit period or during his initial, re-established initial or extended benefit period

(a) was not from a vessel that, in the opinion of the Commission, meets the requirements of subparagraphs (1)(a)(i) and (ii), or

(b) was from such a vessel but

(i) was not by reason of a lay-off due to the lack of work, or

(ii) was not caused by his becoming incapable of work by reason of illness, injury, quarantine or pregnancy,

he shall not be entitled to receive benefit during that benefit period, except during the period falling within the period beginning with the week in which December 1st falls and ending with the week in which May 15th next following falls.

(4) A year-round fisherman who is disentitled under subsection (3) from receiving benefit may be relieved from that disentitlement commencing with the week in which he establishes that

(a) his most recent employment, whether insurable or not, was in fishing from a vessel described in subparagraph (1)(a)(i) and (ii) and that, subsequent to the commencement of his initial benefit period, he lost that employment for the reasons mentioned in paragraph (3)(b), or

(b) he has seven or more non-fishing weeks of insurable employment in any period of thirteen consecutive weeks subsequent to the commencement of his initial benefit period.

(5) Subsection (3) does not apply to the separation from employment of a person by reason only of his leaving, or refusing to accept employment if by remaining in or accepting the employment he would lose the right

(a) to become a member of,

(b) to continue to be a member and to observe the lawful rules of, or

(c) to refrain from becoming a member of any association, organization or union of workers.

Fishermen other than year-round fishermen

Sec. 207. (1) Subject to this section, where a claimant who is not a year-round fisherman makes a claim for the purposes of establishing a benefit period during or after the week in which December 1st falls and before the week in which May 15th next following falls and proves that

(a) he is not qualified under section 17 of the Act to receive benefits, and

(b) he has eight or more weeks of insurable employment

(i) subsequent to the most recent Saturday preceding March 31st that immediately precedes the Sunday of the week in which he makes his claim, or

(ii) since the commencement date of his last initial benefit period, whichever is the shorter,

a benefit period shall be established for him.

(2) Benefits are payable to a claimant for each week of unemployment that falls in a benefit period established for him pursuant to subsection (1)

under those provisions of Part II of the Act, other than paragraph 17(2)(b), that apply to initial benefit periods.

(3) A benefit period shall not be established in respect of a claimant under subsection (1) if an initial benefit period or any benefit period that arises from that initial benefit period has not terminated.

(4) For the purpose of this section, a benefit period commences with and includes the week in which it is established and ends

(a) with and includes the week in which May 15th next following falls, or

(b) when the claimant has been paid benefits for the maximum number of weeks for which benefits may be paid under subsection (6),

whichever is the earlier.

(5) Not more than one benefit period shall be established under subsection (1) in respect of an insured fisherman during the period commencing with and including the week in which December 1st falls and ending with and including the week in which May 15th next following falls.

(6) Subsections 20(1) and (2) and section 22 of the Act do not apply in respect of a benefit period established under this section.

(7) The maximum number of weeks of benefit payable to a fisherman for weeks of unemployment that fall in a benefit period established under this section is five-sixths of the number of weeks of insurable employment of that fisherman subsequent to the Saturday mentioned in paragraph (1)(b) and where five-sixths of that number contains a fraction of a week, a fraction that is less than one-half shall be disregarded and a fraction that is equal to or greater than one-half shall be taken as one week.

(8) Paragraph 25(b) and section 30 of the Act shall only apply in respect of the first fifteen weeks for which benefit may be paid.

(9) For the purposes of applying section 24 of the Act to this Part, the qualifying weeks of a fisherman who establishes a benefit period under subsection (1) are

(a) all of the weeks of insurable employment of that fisherman, or

(b) the last twenty weeks of insurable employment of that fisherman

in the period referred to in paragraph (1)(b), whichever produces the higher average weekly insurable earnings.

(10) A benefit period established under this section shall be regarded as an initial benefit period for the purposes of section 206 and paragraph 18(b) and subsection 20(3) of the Act.

(11) Section 28 of the Act does not apply in respect of a benefit period established under this section.

Unemployment of fishermen

Sec. 208. (1) Subject to this section, section 155 does not apply to persons who are claimants under this Part.

(2) Subject to subsection (4), any claimant who is mainly self-employed in fishing, whether insurable or not, or engaged on his own account or in a partnership or coadventure, or any claimant who is mainly employed in fishing, whether insurable or not, in an employment in which he controls his working hours, shall not be regarded as unemployed during any period in respect of which he remains so engaged or employed.

(3) Any claimant who is self-employed in fishing to a minor extent only, whether insurable or not, or whether engaged on his own account or in a partnership or coadventure, or any claimant who is employed in fishing to a minor extent only, whether insurable or not, or whether or not he controls his working hours, shall be regarded as unemployed during any period in respect of which he remains so engaged or employed.

(4) Except for the purposes of section 150, a claimant shall, notwithstanding subsection (2) of this section and sections 21 and 25 of the Act, be considered as unemployed and available for work in respect of his employment or engagement in fishing, whether insurable or not, during the benefit periods mentioned in subsections 206(2) and 207(4).

(5) For the purposes of this section, a person who is ordinarily a fisherman does not cease to be a fisherman while he is engaged in any of the incidental work mentioned in paragraph 191(1)(f) and is not also engaged in making an actual catch.

Determination and allocation of earnings

Sec. 209. (1) The determination and allocation of earnings for the purposes of section 26 of the Act of a person who is claiming benefit under this Part shall be made in accordance with this section.

(2) Where a claimant under this Part has any earnings from fishing, whether insurable or not, while he is employed under a contract of service, or has any earnings other than from fishing, such earnings shall be determined in accordance with section 172 and allocated in accordance with section 173.

(3) Where a claimant under this Part has any earnings as determined under subsection 195(4), such earnings shall be allocated equally to each week in which his crew was engaged in making a catch.

(4) Subject to subsections (3) and (7), where a claimant under this Part is self-employed in fishing, whether insurable or not, his earnings shall be,

(a) in the case of a claimant not referred to in paragraph (b) or (c), the amount by which the gross returns of a catch exceed the fishing expenses, excluding any capital expenditures, that are chargeable as operating expenses against the gross returns of the catch,

(b) in the case of a claimant who pays wages to a helper, the amount by which the gross returns of a catch exceed the aggregate of

(i) the wages paid to the helper, and

(ii) the fishing expenses referred to in paragraph (a), and

(c) in the case of a claimant who is a partner or coadventurer and is entitled to a share of the returns, his share of the amount by which the gross returns of a catch exceed the aggregate of

(i) the boat rental or mortgage payment on the boat and any other boat costs that are commonly referred to as the "boat share", and

(ii) the fishing expenses of the crew referred to in paragraph (a) that are not included in subparagraph (i).

(5) The earnings referrred to in subsection (4) shall be allocated

(a) where the catch is fresh, equally to the weeks in which the claimant performed the work to obtain the earnings; and

(b) where the catch is cured, to the week in which delivery of the catch is made.

(6) A claimant's gross returns from a catch shall, for the purposes of this section, include the gross returns from the sale of any product of the sea or of any other body of water, or of any by-product of any such product, whether or not the purchaser is a buyer as defined in this Part.

(7) Where the share of the wife of an insured fisherman from the gross returns of a catch is assigned to her husband under section 195, such share shall be regarded as the husband's earnings, and for the purposes of subsection 168(2) it shall not be regarded as income of the claimant's wife.

(8) Where, a claimant does not provide satisfactory proof as to the amount of his fishing expenses, no fishing expenses shall be allowed in excess of,

(a) in the case of fishing expenses referred to in paragraph (4)(a), twenty-five per cent of the gross returns of the catch;

(b) in the case of fishing expenses referred to in subparagraph (4)(b)(ii), twenty-five per cent of the amount by which the gross returns of the catch exceed the expenses referred to in subparagraph (4)(b)(i); or

(c) in the case of fishing expenses referred to in subparagraph (4)(c)(ii), twenty-five per cent of the amount by which the gross returns of a catch exceed the amount referred to in subparagraph (4)(c)(i).

Labour disputes

Sec. 210. (1) For the purposes of the Act and these Regulations, a labour dispute shall, in relation to fishermen, include any dispute between employers of fishermen and fishermen or between fishermen and fishermen that is connected with the unit price from which the returns of a catch are calculated.

(2) Where a labour dispute arises as to the unit price from which the returns of a catch are calculated or concerning any other matter affecting a type of fishing generally and as a consequence thereof a particular type of fishing is not begun or is not carried on further, subsection 44(1) of the Act applies in such a manner that any fisherman who had any fishing insured weeks during

(a) the six-week period that commenced on the Sunday immediately preceding the day and month in the immediately preceding calendar year that is the same day and month as the day and month in the current calendar year on which the stoppage of work commenced, or

(b) the six-week period that immediately preceded the most recent Sunday before the day on which the stoppage of work commenced,

shall be deemed to be an insured person who has lost his employment by reason of a stoppage of work attributable to a labour dispute at the factory, workshop or other premises at which he was employed unless he proves that

(c) during the periods described in paragraphs (a) and (b), he was not engaged in the particular type of fishing affected by the labour dispute,

(d) at the time the stoppage of work commenced and during the six weeks immediately preceding the stoppage, he was *bona fide* regularly engaged in some occupation other than fishing,

(e) at the time the stoppage of work commenced and during the six weeks immediately following the commencement of the stoppage, he

was *bona fide* regularly engaged in some occupation other than fishing or in a type of fishing that was not affected by the labour dispute, or,

(f) the labour dispute involved a specific and identifiable group of fishermen being a portion only of the fishermen engaged in the type of fishing and he was neither a member of that group nor was participating in or financing or directly interested in the labour dispute.

(3) Subsections 44(2) and (3) of the Act do not apply to a fisherman referred to in subsection (2) of this section.

General

Sec. 211. Section 31 of the Act applies to this Part.

Transitional

Sec. 212. During the period commencing November 14, 1971 and ending January 1, 1972 subsection 209(3) shall be read as though it referred to subsection 199(7) instead of subsection 199(4).

Contribution rates

Sec. 213. For the purposes of paragraph 152(c) of the Act, the contributions payable and paid in any fishing contribution week on behalf of a fisherman

(a) on or before the 26th day of June shall be deemed to be $1.40, if the total of those contributions payable and paid on his behalf for that week exceed $1.40, and

(b) on or after the 27th day of June shall be deemed to be $1.65, if the total of those contributions payable and paid on his behalf for that week exceed $1.65.

Appendix G
Teacher's regulation (1980)

46.1(1) In this section,

"teaching" means the occupation of teaching in a pre-elementary, an elementary, an intermediate or a secondary school, including a technical or vocational school;

"non-teaching period" means the period described in subsection (2).

(2) The Commission has determined that there is, by custom or pursuant to relevant contracts of employment, a repetitive annual period during which no work is performed in teaching.

(3) In addition to the requirements imposed by Part II of the Act, a claimant who was employed in teaching for any part of his qualifying period shall, before he is entitled to receive benefit for any week of unemployment that falls in his non-teaching period, fulfil one or more of the following conditions:

(a) his contract of employment in teaching was terminated on or before the commencement of the non-teaching period;

(b) he was employed in teaching as a casual or substitute teacher only; and

(c) he qualifies to receive benefit because of employment in an occupation other than teaching.

(4) Where benefit is only payable to a claimant described in subsection (3) by reason of the fact that he fulfils the condition set out in paragraph (3)(c), the rate of weekly benefit so payable for a week of unemployment that falls within his non-teaching period shall equal the rate that is payable without regard to his employment in teaching.

(5) Notwithstanding subsection (3), a claimant who fulfils the requirements of subsection 30(1) of the Act is entitled to be paid benefit pursuant to section 30 of the Act during the non-teaching period.

Appendix H
Terms of reference: the Unemployment Insurance Review Task Force (July 1980)

Main Responsibilities

In summary, the main responsibilities of the Unemployment Insurance Review Task Force are:

(1) to trace the evolution of the unemployment insurance program in the four decades, 1940-1980;

(2) to examine and assess the impact of unemployment insurance on the Canadian economy and on Canadian society, particularly since 1971;

(3) to cooperate with the Labour Market Development Task Force in the preparation of an analysis of the labour market environment in the recent past, present and future;

(4) to analyse specific areas in which there are issues and problems, arising from the current provisions of the unemployment insurance legislation, in terms of inequities, impact on the labour market, complexity and resulting difficulties in administration; and

(5) to identify options for change in the program, with a view to establishing for the 1980's a more coherent framework of objectives related to social insurance principles and designed to facilitate the matching of unemployed workers with available jobs.

Issues to be Addressed

More specifically, within the ambit of its main responsibilities, the Task Force will address itself to a number of specific issues.

Evolution

The Task Force will examine and report on the original philosophy of the program and on modifications in its role and objectives over the four decades, including major design changes with respect to coverage and terms and conditions of benefit entitlement. In doing so, it will endeavour to describe the evolution in relationships with the Canadian income protection system in general. Particular attention is to be paid to program changes since the 1971 legislation.

Impact

The Task Force will examine and assess the impact of the current unemployment insurance program:

(1) on income distribution and redistribution in terms of both the individual and the family;

(2) on interprovincial fiscal transfers;

(3) on economic and income stabilization;

(4) on labour productivity and mobility;

(5) on patterns of preference between continuing paid employment and other forms of activity;

(6) on wage rates, costs of production and prices.

Labour Market Environment

The following areas relating to the Canadian labour market environment will be examined in cooperation with the Labour Market Development Task Force:

(1) the changing balance of cyclical, seasonal, structural and frictional unemployment;

(2) the regional distribution of employment and unemployment;

(3) the changing composition of the unemployed;

(4) the increase in multiple earner and single parent families;

(5) the changing role and occupational distribution of women in the labour force;

(6) the coexistence of labour surpluses and skill shortages;

(7) the development of part-time employment;

(8) the process of industrial adjustment.

Problem Areas

The Task Force will analyse the nature and severity of problems in the following areas:

(1) the determination of insurable employment;

(2) the determination of insurable earnings;

(3) entrance requirements, including the variable entrance requirement for regular claimants, the special entrance requirement for new entrants, re-entrants and repeaters and the entrance requirement for sickness, maternity and retirement benefits;

(4) the treatment of claimants who unreasonably refuse to accept jobs, voluntarily quit jobs without just cause or are fired for misconduct;

(5) the benefit structure, including the schedule of entitlement and the rate of benefit;

(6) the regional aspects of the program, including the role and impact of regional extended benefits;

(7) the coverage of, and the benefits provided for, workers in highly seasonal occupations;

(8) the use of unemployment rates in the determination of unemployment insurance benefit entitlement;

(9) the terms and conditions of sickness and maternity benefits;

(10) the treatment of the earnings of claimants;

(11) the financing of the program, including the tax status of premiums and benefits;

(12) the legislative provisions prescribing penalties;

(13) the linkages of the UI program with other labour market programs, with particular reference to the process of labour market adjustment.

Other issues and problems may be identified during the course of the review and will have to be examined by the Task Force as time and resources permit.

In examining issues and problems, particular attention is to be placed on the extent to which the complexities of program design impede the efficiency and effectiveness of program administration.

Options for Change

In identifying options for change, the Task Force will, among other things, consider:

(1) developments in other elements of the Canadian income protection system, including measures designed to deal with the process of industrial adjustment;

(2) representations made by Members of Parliament, the private sector and provincial and territorial governments;

(3) experience gained under other unemployment insurance programs, including a number of state programs in the United States and a number of national programs in Western Europe;

(4) evolving federal-provincial relations; and

(5) implications for unemployment insurance costs, the numbers and categories of claimants by age and sex, interprovincial fiscal transfers and social assistance expenditures.

Schedule, Method of Operation, and Process of Consultation

The work will be carried out in three broad phases. During the first, the Task Force will undertake the basic analyses required by the terms of reference. During the second, it will identify options for change.

The findings of the Task Force in respect of these two phases will be submitted to the Minister, through the Chairman of the Canada Employment and Immigration Commission, not later than December 31, 1980.

In the first phase, the Task Force will draw on and update work which has already been carried out. It will also seek professional advice and assistance from a variety of sources. In the second, it will take into account recommendations for change which have already been made, particularly by representatives of the private sector and the provinces. It is not envisaged that, during these phases, there will be a formal consultative process.

The third phase will include a systematic process of consultation with representatives of the private sector, the provincial governments and other interested parties. Early in 1981, a discussion paper, setting forth the basic analyses and identifying options for change, will be made public. It is expected that hearings by a Parliamentary Committee and federal-provincial meetings will provide a full opportunity for all interested parties formally to present their views and recommendations. During this phase, it may be necessary to undertake additional analyses and to consider further options for change.

The third phase, as outlined, will provide the bases for consideration of amendments to the Unemployment Insurance Act, to be introduced into Parliament either in late 1981 or early 1982.

Appendix I
A brief description of the current program (1981)

Objectives

- Unemployment Insurance in Canada is a program national in scope and with dual objectives:

  (a) to provide income protection for workers suffering temporary income interruptions;

  (b) to facilitate the best possible match between unemployed workers and available jobs.

Coverage

- The program insures the employment of virtually all paid workers in the labour force. These workers are referred to as being in insurable employment. The main exclusions from coverage are those 65 years of age and over, the self-employed (except fishermen who are covered by special arrangement) and those who work less than 15 hours per week and earn less than 20 per cent of the maximum weekly insurable earnings ($63 in 1981).

- Current estimates are that approximately 97% of paid workers are insured under the program.

Eligibility Requirements

- To qualify for benefit, claimants have to have suffered an interruption of earnings from employment and accumulated a specified number of weeks of insurable employment.

- In general, the interruption of earnings for the insured person who ceased work by reason of sickness or pregnancy occurs in the week when normal employment earnings drop below 60 per cent of normal weekly insurable earnings from that employment. For others, it occurs when, following separation from employment, the insured persons have a period of seven days during which no work is performed and no earnings arise from that employment.

- The basic entrance requirement varies from 10 to 14 weeks of insurable employment in the qualifying period of up to 52 weeks, depending on the unemployment rate in the UI economic region in which the claimant resides. The number of weeks required is determined as follows:

Regional Rate of Unemployment	Weeks of Insurable Employment Required
over 9.0%	10
over 8.0% to 9.0%	11
over 7.0% to 8.0%	12
over 6.0% to 7.0%	13
6.0% and under	14

- Claimants who have received benefits during the qualifying period are program repeaters. They require the number of insurable weeks in the following table to qualify:

Weeks of benefits paid/payable in qualifying period	Weeks of insurable employment at regional unemployment rate				
	6.0% and under	over 6.0% to 7.0%	over 7.0% to 8.0%	over 8.0% to 9.0%	over 9.0% to 11.5%
10 and under	14	13	12	11	10
11	14	13	12	11	11
12	14	13	12	12	12
13	14	13	13	13	13
14	14	14	14	14	14
15	15	15	15	15	15
16	16	16	16	16	16
17	17	17	17	17	16
18	18	18	18	17	16
19	19	19	18	17	16
20 and over	20	19	18	17	16

This provision does not apply in regions with unemployment rates over 11.5 per cent.

- Claimants who had less than a combined total of 14 weeks of insurable employment, UI benefit or other weeks prescribed by regulation in the 52-week period preceding the qualifying period are new entrants or re-entrants to the labour force. They are required to have 20 weeks of insurable employment in the qualifying period.
- The qualifying period of up to 52 weeks may be extended to a maximum of 104 weeks if the claimant was prevented from working because of sickness, pregnancy, incarceration, attendance at an approved training course or receipt of worker's compensation for temporary total disability.
- The insurable weeks and insurable earnings are reported by the employer on the Record of Employment, which the employee must deposit at the time of application for benefit.

Benefits

- Benefits are paid during a benefit period generally of up to 52 weeks and after a two week waiting period has been served.
- Employment earnings in the waiting period are deducted from the first three weeks of benefits payable. Deductions made for each week in the waiting period do not exceed the benefit rate.
- Income received as sick or maternity leave or from any group wage-loss insurance plan during sickness or maternity is not taken into account as earnings in the waiting period.

- The 52-week benefit period may be extended to a maximum of 104 weeks if the claimant was not entitled to benefits because of incarceration or receipt of worker's compensation for temporary total disability.

- Regular benefits are payable in three successive phases as follows:

1. Initial Benefit—one week of benefit for each week of insurable employment (maximum 25 weeks in the 52-week benefit period)

2. Labour Force Extended Benefit—one week of benefit for every two insurable weeks in accordance with the table below:

Weeks of insurable employment in claimant's qualifying period	**Maximum labour force extended benefit payable**
27 or 28 weeks	1 week
29 or 30 weeks	2 weeks
31 or 32 weeks	3 weeks
33 or 34 weeks	4 weeks
35 or 36 weeks	5 weeks
37 or 38 weeks	6 weeks
39 or 40 weeks	7 weeks
41 or 42 weeks	8 weeks
43 or 44 weeks	9 weeks
45 or 46 weeks	10 weeks
47 or 48 weeks	11 weeks
49 or 50 weeks	12 weeks
over 50 weeks	13 weeks

3. Regional Extended Benefit—two weeks of benefit for every 0.5% that the regional unemployment rate exceeds 4.0% in accordance with the table below:

Regional rate of unemployment	**Maximum regional extended benefit payable**
over 4.0%—4.5%	2 weeks
over 4.5%—5.0%	4 weeks
over 5.0%—5.5%	6 weeks
over 5.5%—6.0%	8 weeks
over 6.0%—6.5%	10 weeks
over 6.5%—7.0%	12 weeks
over 7.0%—7.5%	14 weeks
over 7.5%—8.0%	16 weeks
over 8.0%—8.5%	18 weeks
over 8.5%—9.0%	20 weeks
over 9.0%—9.5%	22 weeks
over 9.5%—10.0%	24 weeks
over 10.0%—10.5%	26 weeks
over 10.5%—11.0%	28 weeks
over 11.0%—11.5%	30 weeks
over 11.5%	32 weeks

- The overall maximum is 50 weeks of benefits in the 52-week benefit period.

- For the purposes of the entrance requirements and the payment of benefits, 46 UI economic regions are in use as of March, 1981.

- Sickness benefits are payable to claimants who prove incapacity by way of a medical certificate. Where the interruption of earnings is due to sickness, only claimants with at least 20 insurable weeks are entitled.

- A maximum of 15 weeks of sickness benefits are payable as part of the maximum of 25 weeks of initial benefits.

- Maternity benefits are payable to claimants who prove pregnancy by way of a medical certificate. Where the interruption of earnings is due to pregnancy, only claimants with 20 insurable weeks are entitled. In addition, they must have 10 insurable or other weeks prescribed by regulation in the 20-week period surrounding conception.

- A maximum of 15 consecutive weeks of maternity benefits are payable as part of initial benefits. These must be the first 15 weeks of initial benefits and may commence as early as eight weeks before the expected week of confinement for birth and end as late as 17 weeks after birth. (Note: Benefits are not payable in the eight week period before expected confinement for birth, the week of birth and the six weeks following birth to a pregnant woman who does not qualify for maternity benefits.)

- The combination of sickness and maternity benefits cannot exceed 15 weeks.

- A special severance benefit of up to three weeks is payable in lump sum to those who have attained the age of 65 years and have 20 insurable weeks in the qualifying period.

- Benefits may also be paid to claimants undertaking approved training, or participating in approved job creation projects or work sharing agreements. The benefit periods and weeks of benefit payable in these cases can exceed the usual maxima.

- Claimants are disqualified from receiving benefit for up to six weeks for such misdemeanours as quitting jobs without just cause, being fired for misconduct or refusing suitable employment.

- Claimants who fail to prove their entitlement for reasons such as non-availability for work are not entitled to benefit for as long as such a condition exists.

- In addition, benefits are not payable to claimants involved in labour disputes.

- The benefit rate is 60 per cent of average insurable earnings in the qualifying weeks. These are the last 20 weeks of the qualify-

ing period for those with 20 or more weeks of insurable employment or all weeks in the qualifying period in the case of those with less than 20 insurable weeks.

- The maximum weekly benefit amount in 1981 is $189.

- UI benefits are taxable for income tax purposes.

- Decisions affecting benefits may be appealed in the first instance to a Board of Referees and in the second instance to an Umpire of the Federal Court.

- Special provisions affect benefits for fishermen. For example, self-employed fishermen can draw the special fishing benefits only from November 1 to May 15.

- A portion of UI benefits may have to be repaid by some claimants. If the UI claimant's net earnings (including UI) for income tax purposes exceed $24,570 in 1981, the claimant will be required to repay up to 30 per cent of the UI benefits received in 1981 when the 1981 income tax return is filed.

Effect of Earnings on Benefits

- All earnings from employment over 25 per cent of the benefit rate received during the period for which benefits are payable are deducted from benefits. This is known as the allowable earnings rule.

- All earnings received from employment while receiving sickness or maternity benefits are deducted from benefits.

- Moneys received such as vacation pay, wages in lieu of notice and bonuses and gratuities other than as a result of a layoff or separation are earnings and have the effect of reducing or postponing benefits.

- Moneys received such as disability or retirement pensions, relief grants, non-group sick plan payments, supplemental unemployment benefits, severance pay or bonuses and gratuities as a result of a layoff or separation are not earnings for benefit purposes and do not reduce or postpone benefits.

Financing

- The UI program is financed on a tripartite basis through contributions from employer and employee premiums and the federal government.

- The basic employee premium rate for 1981 is $1.80 for each $100 of weekly insurable earnings. The employer premium rate is 1.4 times the employee rate.

- The maximum weekly insurable earnings in 1981 is $315. It is increased annually in accordance with the rate of increase in wages and salaries averaged over the most recent eight-year period.

- Premiums are tax deductible.

- Premium revenues absorb the cost of benefits in the initial and labour force extended phases, sickness, maternity, special severance and work sharing benefit as well as the costs of administering the UI Act which includes the National Employment Service.

- The federal government contribution absorbs the cost of regional extended benefits, the cost of benefits for self-employed fishermen that is in excess of premiums from that employment and the cost of extended benefits for those undertaking approved training or participating in approved work sharing or job creation projects.

Organization and Administration

- In general, the Minister of Employment and Immigration is responsible for the UI Act and the Canada Employment and Immigration Commission is the corporate body responsible for administering the UI program.

- Special arrangements exist, however, for the collection of premiums and the determination of insurable employment as well as the benefit repayment provision. These are the responsibility of the Minister of National Revenue and are administered by Revenue Canada, Taxation.

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Index XIX

The following index is comprised of references to a number of legislative or commonly used expressions, statutes, events and studies which facilitate the tracing of key developments affecting 40 years of UI in Canada. Changes in terminology over the years may, in some instances, require reference to more than one subject to trace the evolution of specific design features of the program.